



September 4, 2015

Mr. Joseph P. Albertson, Business Representative
International Union of Elevator Constructors Local 34
2206 East Werges Avenue
Indianapolis, IN 46237

Case Number: 350-6000566()
LM Number: 044715

Dear Mr. Albertson:

The U.S. Department of Labor (USDOL), Office of Labor-Management Standards (OLMS) recently completed an audit of International Union of Elevator Constructors (IUEC) Local 34 under the Compliance Audit Program (CAP) to determine your union's compliance with the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). In the CAP exit interview on September 8, 2015, you and I discussed the following audit findings, corrections for problem areas and recommendations for improved financial safeguards.

Reporting and Recordkeeping

The LMRDA establishes reporting and recordkeeping requirements for labor unions. Under Section 201(b) of the LMRDA, Local 34 is required to file a Form LM-2 Labor Organization Annual Report with OLMS describing the local's financial operations. Section 206 of the LMRDA states that "every person required to file" a report under the Act "shall maintain records...which will provide in sufficient detail the necessary basic information and data from which the" reports "filed with the Secretary [of Labor] may be verified, explained or clarified, and checked for accuracy and completeness, and shall include vouchers, worksheets, receipts, and applicable resolutions, and *shall keep such records available for examination for a period of not less than five years...*"

As a general rule, labor organizations must maintain all records used or received in the course of union business. For disbursements, this includes not only original bills, invoices, receipts, vouchers and applicable resolutions but also documentation showing the nature of the union business requiring the disbursement, the goods or services received and the identity of the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive vendor receipt or invoice. If a vendor receipt or invoice is not sufficiently descriptive or available, then a union officer or employee should record the necessary information on the original documentation or an expense report. For money a union receives, it must record the date, amount, purpose and source of that money. The labor organization must also retain bank records for all accounts.

During the CAP, I found that Local 34 committed these reporting and recordkeeping violations of LMRDA Sections 201 and 206:

1. **Assets Given Away:** Item 15 of the Form LM-2 Labor Organization Annual Report that Local 34 files with OLMS asks, "During the reporting period did the labor organization

acquire or dispose of any assets in any manner other than by purchase or sale?” In fiscal year 2014, Local 34 bought grocery store gift cards that it gave away to union members during the holidays. These transactions should have been reported in Item 15 and explained in Item 69 of Local 34’s LM-2 for fiscal year 2014, but they were not. Although Local 34 retained vendor receipts for the gift card purchases, it did not record distribution of those cards to members. I recommended to you that, in the future when assets are given away in a similar fashion, Local 34 should maintain a record, such as a signed roster, showing who receives those assets to ensure they reach intended recipients and are not stolen. Furthermore, Local 34 should inventory those assets and report any on hand at the beginning and end of the fiscal year in Item 28 and Schedule 7 of the LM-2. Local 34 has agreed to keep adequate records for assets given away during the remainder of this fiscal year and to properly report them on future LM-2s filed with OLMS. In consequence of that agreement, no further enforcement action will be taken and Local 34 will not be required to amend the fiscal year 2014 LM-2 to correct reporting of the cards given away that year.

2. **Charitable Donations:** Local 34 is required to disclose charitable contributions in Item 52 and Schedule 17 of each fiscal year’s LM-2 filed with OLMS. On the LM-2 for fiscal year 2014, Local 34 reported that such transactions totaled \$6,850. Contributions worth \$2,300 were disbursed to individuals from Local 34’s Out-of-Work charitable fund in 2014 without supporting documentation. You and I discussed this matter that Local 34 needs to maintain documentation showing the money goes to intended recipients. Moreover, you agreed that Local 34 will document future donations with a written request or signed voucher by the recipient, a file copy of a cover letter to the recipient or some other proof of payment. Based on your agreement to improve recordkeeping practices, I consider this type of recordkeeping violation resolved.
3. **Social Events:** According to the LM-2 instructions, Local 34 is required to report in Statement B each year “when money is actually paid out by the labor organization.” In 2014, Local 34 sponsored a golf outing and a picnic. Checks were disbursed from Local 34’s treasury to coordinators of those events for expenses; however, Local 34 failed to maintain documentation, such as vendor receipts and invoices, showing how funds from those checks had been spent. I advised you that Local 34 needs to keep better records to ensure that funds disbursed for future social events are spent as intended and not stolen. If any money disbursed to event coordinators for expenses is unspent, it should be returned and deposited back into the local’s treasury with adequate documentation showing that occurred. You agreed to improve Local 34’s recordkeeping for future social events beginning with the 2015 picnic this month. Based on your agreement to better Local 34’s recordkeeping practices, this violation is also resolved.
4. **Credit Card:** Local 34 has assigned a credit card to you for use in union business. Funds disbursed to pay charges with that card must be reported by Local 34 in Statement B of each year’s LM-2. I reviewed all credit card charges paid by Local 34 in fiscal year 2014 and discovered that supporting documentation was inadequate or missing for 52 percent of those transactions. You should keep and turn over to Local 34 all original documentation, such as vendor receipts and invoices, generated and provided to you as a

result of transactions with the union's credit card. If no documentation is provided you by the vendor or if that documentation is not descriptive about what was bought, why it was bought, when it was bought, from whom it was bought, for whom it was bought and how much it cost, then you should document those facts yourself either on the receipt or in a financial report. Credit card transactions can be reported in various parts of Statement B on the LM-2, and Local 34 needs all this information to know the correct reporting item under which each transaction should be disclosed. If inadequate records are kept, then an inaccurate or false LM-2 may be filed. Moreover, proper documentation safeguards union finances by reducing opportunities for credit card abuse and embezzlement. You agreed to maintain adequate records for all future credit card transactions beginning this month. We reviewed practices for keeping vendor documentation and recording transactions on expense reports, and you started a report for September 2015. With your promise to follow through on recordkeeping improvements, I consider this area of violations resolved.

Other Findings

1. **Extra Paycheck:** In 2014, you were issued an extra paycheck in error by Local 34's treasurer and recording secretary. You did not notice the error and negotiated the check. The payment was processed for payroll taxes like any other salary check, and it was disclosed as part of your salary on Local 34's fiscal year 2014 LM-2. When I informed you of the error, you honorably agreed to reimburse the union. I also found that Local 34 had not paid you for all mileage reimbursement you were due for driving your personal vehicle for union business in 2014 and 2015. Taking that into account, I calculated you still owed \$665.62 to Local 34 for the salary overpayment. You repaid that amount and the money was deposited into Local 34's treasury during the CAP.
2. **Payroll Advance:** In June 2015, you received a one-week payroll advance before you traveled out of town. The LM-2 instructions state, "Advances, including salary advances, are considered loans and must be reported in Schedule 2 (Loans Receivable)." Therefore, your advance should be disclosed in Schedule 2 of Local 34's fiscal year 2015 LM-2 when it is filed with OLMS next year. Also, as you and I discussed, Section 503 of the LMRDA prohibits loans in excess of \$2,000 from a union's treasury to any of its officers or employees. The gross amount of your payroll advance did not exceed \$2,000 and was, therefore, not illegal. Nevertheless, you or your successors will probably earn more than \$2,000 per pay period in future years based on salary increases guaranteed in the union's collective bargaining agreements. I advised you that Local 34 should discontinue the practice of issuing salary advances so that you, your successors and other check signers will not be guilty of a crime: you agreed.

Other Recommendations

1. **Duplicate Receipts:** Local 34 records dues collections digitally with financial software and issues to dues payers upon receipt of payment membership cards obtained from the IUEC headquarters. The cards are stamped with Local 34's seal, but they are not consecutively numbered or retained in duplicate. No original documentation generated at

the time of a dues transaction is retained by Local 34. Many other unions engaged in construction trades issue consecutively numbered duplicate receipts when members pay dues as a financial safeguard. An OLMS Fact Sheet about recording and reporting receipts says,

[W]here cash receipts are handled, unions are strongly urged to issue a duplicate, numbered receipt to each individual making the payment, similar to when a salesperson completes a sales invoice (where the store retains the original receipt for recordkeeping purposes and provides the customer with a duplicate receipt).

(This Fact Sheet is available on the OLMS web site at:
http://www.dol.gov/olms/regs/compliance/catips/CompTip_Receipts_2014.pdf.)

In our discussions, you noted you sometimes collect dues in the field and there is often a lag between when dues are received and when they are recorded digitally. Although I found no evidence that dues are missing, a duplicate receipting system is a financial safeguard for recording and tracking revenues. Digital data can be altered or falsified. An additional, contemporaneous paper trail backs up the digital data and better protects union funds.

2. **Safeguarding Dues Collections:** To ensure funds that have been collected are not lost or stolen, Local 34 should make frequent and timely deposits. I recommend that Local 34 deposit funds collected or stored at the union hall as frequently as each business day to minimize the possibility of loss from a break-in or disaster, such as fire or tornado. Use of fireproof safes and cabinets to store money and important records is always encouraged as well. In addition, Local 34 offers members the option of paying dues via PayPal. Transfers from Local 34's PayPal account into its bank account should be made within the same fiscal year they are paid so they are properly reported on the LM-2. They should also be made frequently to protect those assets from loss because of digital hacking or property disputes involving PayPal and so that Local 34 can generate interest income from those funds.
3. **Death Benefits:** In 2014, Local 34 made a direct death benefit payment to a beneficiary of a deceased union member. You were able to show me information from the IUEC membership database that supported the legitimacy of the disbursement. I recommended to you that Local 34 maintain an additional record, such as a death certificate or obituary notice, for future death benefit payments since there was a lag time between the date the benefit payment was issued and when the IUEC updated membership records; you agreed.
4. **Monthly Expense Reports:** I recommended and you have begun preparing a monthly expense report for the treasurer and for review by the executive board and trustees. On that report, you will record necessary explanations for credit card transactions and attach vendor documentation. You will also record beginning and ending odometer readings for mileage claims or mileage calculations made with applications, such as Google Maps or

MapQuest, regarding use of your personal vehicle for union business. And you will record explanations and documentation for any other reimbursement you receive. The expense reports and attached documentation will support direct and indirect disbursements made to you or on your behalf and on behalf of the local that are disclosed in Statement B of the LM-2.

5. **Regular Audits by Trustees:** On its web site, OLMS posts this publication: *Conducting Audits in Small Unions — A Guide for Trustees*. The Guide explains:

As an elected or appointed Trustee you will play a key role in making sure that your union's funds and other assets are properly accounted for and used solely for the benefit of your union and its members. Few tasks could be more critical to the well-being of any organization

[Y]our primary task as a Trustee is to ensure that all union resources (money/assets) are used for legitimate union purposes as authorized by your membership in accordance with your constitution and bylaws. In addition, you should ensure that your union is properly submitting per capita taxes to its parent body and is complying with legal requirements for financial reporting, recordkeeping, bonding, and loans.

I recommend that Local 34's trustees perform regular, periodic audits of financial transactions to ensure members' dues and other revenues are collected, safeguarded and properly spent. Trustees should also issue reports of their audits to other officers and the membership. Suggestions and examples of methods for performing audits and reporting findings are contained in the OLMS Guide for Trustees. The Guide and other publications are available online at: <http://www.dol.gov/olms/regs/compliance/complpubs.htm>.

I enjoyed working with you and other officers of Local 34. Please extend my appreciation for Local 34's hospitality. Also please share this letter with other officers and the members of the union. Feel free to call me if you have questions about the CAP or other matters regarding the LMRDA. My office phone number is (317) 535-3034, and my cell phone number is [REDACTED]. If I am unavailable, you can call our Cincinnati Office at (513) 684-6840 or our Cleveland Office at (216) 357-5455. The OLMS Cleveland District Director is Brian Pifer and the Supervisory Investigator in Cincinnati is Megan Ireland.

Sincerely,

[REDACTED]
Senior Investigator