



September 29, 2015

Mr. Steve Frye, President
Roofers Local 86
1384 Stimmel Road
Columbus, OH 43223

Case Number: 350-6003066()
LM Number: 039-559

Dear Mr. Frye:

This office has recently completed an audit of Roofers Local 86 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with Business Manager Marvin Cochran on September 11, 2015, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that labor organizations maintain adequate records for at least five years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. 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 expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a union officer or employee should write a note on it providing the additional information. For money it receives, the labor organization must keep at least one record showing the date, amount, purpose, and source of that money. The labor organization must also retain bank records for all accounts.

The audit of Local 86's 2014 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 86's records of meal expenses did not always include the names and titles of the persons incurring the restaurant charges. For example, receipts from Bob Evan's Restaurant, Tim Horton's, Pizza Hut, and Buffalo Wings & Rings totaling at least \$246.58,

did not include the attendees and the purpose of the union business. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

2. Maintaining Asset Listing

Local 86 failed to maintain a detailed asset listing of fixed assets, including office furniture and computer equipment, in addition to the union's building.

Unions must maintain an inventory listing of all assets purchased by the union and record the value of the assets in Item 29 (Fixed Assets). Maintaining an inventory listing of all assets is an effective tool of internal controls and ensures the safeguard of the union's funds and assets.

3. Receipt Dates not Recorded

Local 86 does not maintain a receipts journal to reflect the date money was received at the local, only recording when the money is deposited. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Local 86 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report Form LM-3 filed by Local 86 for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Disbursements to Officers

Local 86 did not report the names of the other officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to Local 86 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Automobile Expenses

Local 86 did not include in the amounts reported in Item 24 (All Officers and Disbursements to Officers) disbursements for the insurance premiums on the 2003 Ford F-150 belonging to Business Manager Marvin Cochran totaling at least \$394.00. It appears the local incorrectly reported these amounts with the amounts reported in Item 48 (Office and Administrative Expenses).

In addition, the LM-3 instructions for Item 24 require that the local report in Column E of Item 24 (Allowances and Other Disbursements) the total maintenance and operating costs of any automobile it owned or leased and assigned to an officer, whether the use was for official business or for the personal benefit of the officer. Therefore, all maintenance and operating costs incurred for the 2013 Chevy Tahoe assigned to Business Manager Marvin Cochran must be reported next to his name in Column E of Item 24.

3. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 86 amended its constitution and bylaws in 2010, but did not file a copy with its LM report for that year.

Local 86 has now filed a copy of its constitution and bylaws.

Other Issues

Bank Debit Card

During the audit, Business Manager Marvin Cochran advised OLMS that he uses a bank debit card for point of sale (POS) purchases from the union's general checking account. Your union's bylaws require that all bills be paid by check, and that funds are subject to withdrawals upon the signatures of the Business Manager and the President of the local. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document. However, using a bank debit card for POS purchases

does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 86 review these procedures to improve internal control of union funds.

Local 86 must file an amended Form LM-3 for the fiscal year ended December 31, 2014, to correct the deficient items discussed above. I encourage Local 86 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Please be sure to place your signatures in the correct office for Item 26 and Item 27. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than October 30, 2015 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

I want to extend my personal appreciation to Roofers Local 86 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Mr. Marvin D. Cochran, Business Manager