



April 29, 2016

Mr. Tony Mayrhofer, Business Manager/Financial Secretary  
Iron Workers, AFL-CIO, Local 8  
12034 West Adler Lane  
Milwaukee, WI 53214

Case Number: 320-6006695  
LM Number: 022185

Dear Mr. Mayrhofer:

This office has recently completed an audit of Iron Workers Local 8 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 you, President Brad Cyganek, and Office Manager Steve Kucera on April 25, 2016, 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 8's 2015 records revealed the following recordkeeping violations:

1. Disbursements to Vendors, General Reimbursed Expenses, and Credit Card Expenses

Local 8 did not retain adequate documentation for disbursements to vendors, payments to Executive Board Member/Organizer Lucas Bradshaw, and 16 credit card expenses incurred by officers and employees totaling at least \$3,440. For example, adequate supporting documentation was not retained for a \$119 reimbursement to Mr. Bradshaw for lodging at

the Travelodge in Houghton, MI in October 2014. No business purpose was recorded on the itemized receipt or the expense voucher for this reimbursement; the business purpose recorded in Local 8's Peachtree general ledger for this expense was "Lucas Bradshaw - Auto Expenses - Org. U.P.," which is not sufficient in that it does not indicate the union business conducted requiring an overnight stay in Houghton, MI. In addition, adequate supporting documentation was not retained for a \$49.12 charge Business Representative Brent Grensavitch made at Tri-Par Quick Stop in Slinger, WI on August 22, 2014 for an unknown purpose. In support of this expense, Local 8 only retained a credit card statement, which is not sufficient.

Local 8's records of meal expenses did not always include itemized receipts, written explanation of union business conducted, or the names and titles of the persons incurring or receiving the benefit of the restaurant charges. For example, an itemized receipt was not retained for a \$78.74 meal expense incurred by Mr. Bradshaw at the Fairmont Royal York in Toronto, Ontario on September 26, 2014 and the credit card signature receipt retained for this meal expense did not include the nature of the union business conducted or the full names and titles of those present.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. 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. 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. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

## 2. Reimbursed Auto Expenses

Organizer Dave McCoy, who received reimbursement for the business use of his personal vehicle, did not retain adequate documentation to support a \$255.36 payment made to him on November 20, 2014. Mr. McCoy's mileage reimbursement was claimed on an expense voucher that identified a travel range of November 10<sup>th</sup> through November 14<sup>th</sup>, 2014, the total miles driven, and the total mileage expense; however, the expense voucher was not sufficient because it failed to identify the specific dates of travel, the locations traveled to and from, the number of miles driven each day, and the union business conducted. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Failure to Record Receipts and Receipt Dates not Recorded

The audit revealed that Local 8 did not adequately record in its receipts records cash received from its monthly 50/50 raffles and a shotgun raffle totaling at least \$3,719 during the audit year. In addition, entries in Local 8's Peachtree general ledger reflect the date the union deposited money, but not the date money was received for receipts from the sale of merchandise, shotgun raffle ticket sales, refunds from the Internal Revenue Service, and reimbursements received from affiliated organizations and members of Local 8 totaling at least \$8,105. Union receipts records must show the date of receipt.

Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money. 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-2. The LM-2 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.

4. Failure to Maintain Receipt Records

The audit revealed that Local 8 destroyed most of the duplicate receipts it issued in the field after the receipts were entered into Local 8's computerized receipts tracking system, Ironworkers Information Tracking System (IWITS), at the Local 8 office. During the audit, you stated that the duplicate receipts were destroyed because IWITS generates its own duplicate receipts when payments are entered into it.

As previously noted, 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.

5. Lack of Authorization for Meeting Allowances

The audit revealed that Local 8 did not maintain records to verify that the meeting allowances reported in Column E (Allowances Disbursed) of Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) were the authorized amounts and therefore correctly reported. During the audit period, Local 8 officers were paid a monthly allowance of \$45, except for the recording secretary and president, who received \$120, for attending Local 8 executive board and membership meetings. Local 8 members that were delegates to affiliated labor organizations received an additional \$40 per month for each meeting that they attend at the affiliated organizations. A review of Local 8's records did not reveal any authorization for these

meeting allowances before their inclusion in Local 8's current bylaws on August 26, 2015. During the audit, you stated that these allowances were in place before you became business manager, that you did not know how or when they were originally authorized, and that because of this, Local 8's meeting allowance policy was revised and included in Local 8's current bylaws.

Although OLMS does not recommend one best policy for authorizing benefit payments or allowances, it strongly recommends a written policy approved by the governing body to ensure compliance with the LMRDA and to safeguard union assets. This authorization should be documented in at least one union record. Local 8 now has a written policy in its current bylaws for these meeting allowances.

Based on your assurance that Local 8 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(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 8 amended its bylaws in 2012, but did not file a copy with its LM report for that year. Local 8 has now filed a copy of its current bylaws.

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-2) filed by Local 8 for the fiscal year ended (FYE) June 30, 2015, was deficient in the following areas:

#### 1. Acquire/Dispose of Property

Local 8 failed to report trade-in allowances totaling at least \$8,941 in Item 69 (Additional Information) of the LM report for the following three vehicles that were traded in during the audit year: a 2008 Chevrolet Impala for \$2,500; a 2008 Pontiac Grand Prix for \$2,500; and a 2009 Chevrolet Impala for \$3,941. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

#### 2. Disbursements to Officers and Employees

Local 8 did not include indirect disbursements to Business Representative Brian McCambridge, Business Representative Timothy Roman, Mr. Grensavitch, Mr. Bradshaw, and you totaling at least \$26,170 in the amounts reported in Schedule 11 (All Officers and

Disbursements to Officers), Column F (Disbursements for Official Business) and to Mr. McCoy totaling at least \$3,175 in the amounts reported in Schedule 12 (Disbursements to Employees), Column F. The audit revealed that these officers and employees charged automobile, meal, and entertainment expenses to their union issued credit cards during the audit year; however, it appears that Local 8's accountant erroneously reported these credit card charges in Schedules 15-19.

The union must report in Column F of Schedules 11 and 12 direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

### 3. Failure to Report Receipts in the Correct Fiscal Year

The audit revealed that Local 8 recorded receipts totaling at least \$38,777 in its Peachtree general ledger months after the receipts were actually received by the union. For example, cash and checks totaling \$13,966 were received on June 29, 2015 and not recorded in Local 8's Peachtree general ledger until July 3, 2015. As a result, it appears that Local 8 incorrectly reported its total receipts for dues in Item 36 (Dues and Agency Fees), travelers fees in Item 38 (Fees, Fines, Assessments, Work Permits), rent received in Item 42 (Rents), the sale of tee-shirts and other merchandise in Schedule 14 and Item 48 (Other Receipts), and the total receipts in Item 49 (Total Receipts) on the Form LM-2 filed for FYE June 30, 2015.

The LM-2 instructions require that the LM-2 be prepared using the cash method of accounting. Under the cash method of accounting, receipts are recorded when money is actually received by your organization and disbursements are recorded when money is actually paid out by your organization. Failure to record the exact date that monies were received could result in some receipts being reported in a different year than they were actually received. Local 8 should take steps to ensure that all transactions are recorded in a timely manner.

### 4. Receipts and Disbursements From 50/50 Raffles

The audit revealed that the receipts and disbursements reported in Statement B (Receipts & Disbursements) of the LM-2 for Local 8's 50/50 raffles were "netted," meaning that the related receipts and disbursements were offset by one another and only the difference was recorded as a receipt or disbursement when entered in the Peachtree general ledger and reported on the LM report. The purpose of Statement B is to report the flow of cash in and

out of your organization during the reporting period. Since Statement B reports all cash flowing in and out of your organization, “netting” is not permitted. The \$947 received from members for the 50/50 raffles should have been reported Schedule 14 and Item 48. The \$947 disbursed to members that won the 50/50 raffles should have been reported in Schedule 19 and Item 54 (Union Administration).

I am not requiring that Local 8 file an amended LM report for 2015 to correct the deficient items, but Local 8 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issue

##### Use of Signature Stamp

During the opening interview, you stated that Mr. Kucera is allowed to stamp both your and Mr. Cyganek’s signatures on union checks for routine expenses and that for larger, non-routine expenses, Mr. Kucera is allowed stamp either your or Mr. Cyganek’s signature in conjunction with the other officer’s actual signature. You further stated that Local 8’s signature stamp policy is not in writing. The purpose of the first signature is to attest to the authenticity of a completed document. The purpose of the second signature requirement is to attest to the authenticity of a completed document that is already signed. However, the use of a signature stamp for one or both signers by Mr. Kucera does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the two signature requirement. OLMS strongly recommends that Local 8 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Iron Workers Local 8 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. Brad Cyganek, President