



August 31 2016

Ms. Kerry Friel, Treasurer  
Sheet, Metal, Air, Rail, and Transportation Workers  
Local 620  
15357 Diamond Drive  
Oak Forest, IL 60542

Case Number: 310-6004172  
LM Number: 003270

Dear Ms. Friel:

This office has recently completed an audit of Sheet, Metal, Air, Rail, and Transportation Workers (SMART) Local 620 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 on July 8, 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 620's 2013 and 2014 records revealed the following recordkeeping violations:

1. General Expenses, Reimbursed Expenses, and Lost Wage Disbursements

Local 620 did not retain adequate documentation for general expenses, reimbursed expenses to union officers, and lost wage disbursements totaling at least \$6,301.00. For example, supporting documentation was not maintained to support a \$415.80 check disbursement, dated December 13, 2014, to Marlins for the union's "X-mas party" and there were at least two lost wage disbursements to union officers totaling approximately \$500.00 where the number of hours lost were not recorded on vouchers or copies of employer attendance records. Of these disbursements for which Local 620 did not retain adequate documentation, there were approximately \$3,069.00 in disbursements, including the previously mentioned lost wage reimbursements, where Local 620 did not maintain a record that identified the nature of the union business that required the disbursement.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements, as well as maintain a record that identifies the nature of the union business that required the disbursement. 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.

The union must maintain records which identify each date lost wages are incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 620 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

2. Information not Recorded in the Meeting Minutes

During the audit, you advised OLMS that the membership approves disbursements at the membership meeting held on the third Tuesday of each month. Section V of the SMART 620 bylaws states "all disbursements should be by check and approved by the Local before disbursements are made." Local 620 maintained monthly membership meeting minutes that indicated motions were made and seconded to pay bills; however, the audit revealed that itemized disbursements were not presented to those in attendance for approval. Minutes of all membership meetings should report any disbursement authorization and approval made at those meetings.

3. Missing Bank Statements

Local 620 did not retain bank statements for the months of January and February of 2013. As noted above, the union must maintain bank records for all accounts so all receipts, disbursements, and account balances can be verified, explained, and clarified.

Based on your assurance that Local 620 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 620 for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Officers with Multiple Positions

Local 620 did not properly report an officer who held more than one position (i.e. recording secretary and vice president) during the reporting period. When an officer holds more than one position, the LM-3 instructions require disclosure of the officer's additional position and the date on which the position was held in Item 56 (Additional Information).

2. Receipt Reported in Incorrect Year/Cash Reconciliation

A receipt item totaling \$4,504.35 was recorded in the union's books as being received on December 19, 2013, but was not deposited in the union's checking account until January 2, 2014. It appears that Local 620 erroneously reported this receipt item in Item 38 (Dues) on the LM-3 report for fiscal year ended December 31, 2014. The LM-3 instructions require receipts to be recorded in Statement B when money is actually received by the labor organization. As a result of this reporting error, it appears that the cash figures reported in Item 25(a) (Start of Reporting Period Cash) is not the figures according to Local 620's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

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. A search of OLMS disclosure files revealed a copy of Lodge 620's bylaws was not filed with OLMS. Local 620 has now filed a copy of its current bylaws.

During the exit interview you stated the bylaws are currently being amended and confirmed you will submit a copy of the amended bylaws with its fiscal year ending December 31, 2016 LM-3 Report.

I am not requiring that Local 620 file an amended LM report for 2014 to correct the deficient items, but Local 620 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Possible Lack of Salary Authorization

Local 620 did not appear to have maintained a record during the 2014 audit year that verified the salary amount paid to the Local Chairman in Item 24 (Disbursements to Employees) of the LM-3 was the authorized amount and therefore properly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

I want to extend my personal appreciation to Sheet, Metal, Air, Rail, and Transportation Workers Local 620 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. Cornell York, President