



June 14, 2016

Joseph Futey, Treasurer
Independent Union of Girard Machine Inc.
618 Scott St.
Niles, OH 44446-2916

Case Number: 350-6007014
LM Number: 070941

Dear Joseph Futey:

This office has recently completed an audit of Independent Union of Girard Machine Inc. 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 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 Independent Union of Girard Machine Inc.'s 2015 records revealed the following recordkeeping violations:

1. Properly Accounting for the Disposition of Union Funds

All checks written by the union, except for one, were written to cash. This cash, plus a \$1,680 cash withdrawal, was reportedly distributed to the union members, but the final disposition of these union funds was not documented.

2. Adequate Accounting of Union Finances

A union record of receipts and disbursements was not maintained. The only union record found was a check register that listed the payee but did not list the amount or maintain a cash balance.

Based on your assurance that Independent Union of Girard Machine Inc. will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Independent Union of Girard Machine Inc.'s LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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-4) filed by Independent Union of Girard Machine Inc. for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Reported End of Year Assets

The 2015 LM-4 Report showed total end of year assets (item 14) as being \$4,155. The audit revealed that these assets were actually \$3,861.

2. Reported Receipts

The 2015 LM-4 Report showed total receipts (item 16) as being \$2,245. The audit revealed that receipts were actually \$2,090.

3. Reported Disbursements

The 2015 LM-4 Report showed total disbursements (item 17) as being \$1,263. The audit revealed that disbursements were actually \$3,025.

4. Payments to Officers

The 2015 LM-4 Report showed payments to officers (item 18) as being \$2,057. The audit revealed that \$2,935 in union funds was disbursed in cash. This amount needs to be attributed to the officer(s) that initially received these funds. Therefore, payments to officers should have been reported as \$2,935.

I am not requiring that Independent Union of Girard Machine Inc. file an amended LM-4 report for 2015 to correct the deficient items, but Independent Union of Girard Machine Inc. has agreed to properly report the deficient items on all future reports it files with OLMS.

5. 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. At the time of the audit Independent Union of Girard Machine Inc. had not filed its constitution and bylaws with the Department of Labor.

Independent Union of Girard Machine Inc. has now filed a copy of its constitution and bylaws.

Other Violations

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Any union which has assets and receipts in excess of \$5,000 in the last complete fiscal year is required to have a bond and the Independent Union of Girard Machine Inc. did not possess a bond at the time of the audit.

Independent Union of Girard Machine Inc. obtained adequate bonding coverage effective April 14, 2016 and provided evidence of this to OLMS during the audit. At this time, OLMS will take no further enforcement action regarding this issue

Other Issues

1. Single Signature Checks

The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. OLMS recommends that Independent Union of Girard Machine Inc. review these procedures to improve internal control of union

2. Membership Meetings

Currently, the union is not holding monthly executive committee or membership meetings. Article VIII Section 5 of the union's bylaws requires that the executive committee hold monthly meetings. Additionally, it is strongly recommended that the union hold monthly membership meetings in order to adequately disclose the union's furnaces to the members and get approval of expenditures.

3. Checks Written to Cash

Writing checks to cash is not the preferred method of disbursing union funds as it does not provide financial transparency unless additional steps are taken to document the final disposition of the cash. All cash distributed must be accompanied by documentation on who received the funds and for what purpose.

I want to extend my personal appreciation to Girard Machine Independent Union 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,

[REDACTED]

Investigator

cc: [REDACTED] President