



August 24, 2016

Mr. John Riel, Secretary Treasurer  
Boilermakers Local 1  
2941 S. Archer Ave.  
Chicago, IL 60608

Case Number: 310-6007248  
LM Number: 005986

Dear Mr. Riel:

This office has recently completed an audit of Boilermakers Local 1 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 August 5, 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 1's records for fiscal year ending June 30, 2015, revealed the following recordkeeping violations:

#### Meal Expenses

Local 1 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$13,000.00. The union must maintain itemized receipts provided by restaurants to officers and employees. 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.

Local 1 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, the local did not provide a complete list of attendees for dinners at Mr. Benny's Steak and Lobster House in Mokena, IL in the amount of \$5,041.46 on August 1, 2014 and in the amount of \$4,644.03 on December 5, 2014. Additionally, the local did not record in a union record the business purpose for meals at Erie Café in Chicago, IL in the amount of \$669.53 on December 9, 2014 and at Russell's Restaurant in Williamsville, NY in the amount of \$603.00 on June 3, 2015. 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.

Based on your assurance that Local 1 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-2) filed by Local 1 for the fiscal year ended June 30, 2015, was deficient in the following areas:

##### 1. Picnic Fund

Local 1 failed to report its receipts, disbursements, and cash balances from its Picnic Fund in Statement A and Statement B on the Form LM-2. The audit revealed that the Picnic Fund should have been included in the LM-2 because it is a special purpose fund of the labor organization. The failure to include this fund on the LM-2 resulted in the start and end of reporting period cash balances in Statement A being underreported by at least \$19,000 and \$8,000.00, respectively. In addition, total receipts and disbursements were underreported in Statement B by at least \$3,000.00 and \$14,000.00, respectively. The LM-2 instructions require financial information for all funds of the labor organization, including any special purpose funds or accounts (even if they are not part of your organization's general treasury) to be reported on the Form LM-2.

2. Maintenance & Operating Costs – Union Building

It appears that Local 1 erroneously reported at least \$475.00 in reimbursements to officers for building maintenance and office remodeling in Column F (Disbursements for Official Business) of Schedule 11 (All Officers and Disbursements to Officers). The LM-2 instructions prohibit the reporting of maintenance and operating costs of union assets, including buildings, in Schedule 11. The reimbursements for the maintenance and operating costs of the building should have been reported elsewhere in Statement B on the Form LM-2.

The union must report in Column F of Schedule 11 only direct disbursements to officers for reimbursement of expenses they incurred while conducting union business such as for transportation, meals, and lodging. In addition, the union must report in Column F of Schedule 11 indirect disbursements made to another party (such as a credit card company) for business expenses that officers incur.

Local 1 must file an amended Form LM-2 for the fiscal year ended June 30, 2015, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). The amended Form LM-2 must be filed no later than September 9, 2016. Before filing, review the report thoroughly to be sure it is complete and accurate.

I want to extend my personal appreciation to Boilermakers Local 1 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. Eric Davis, Local 1 President