



September 29, 2016

Mr. William Dietz, Secretary Treasurer
Laborers Local 75
1923 Donmaur Drive
Joliet, IL 60435

Case Number: 310-6008472
LM Number: 006062

Dear Mr. Dietz:

This office has recently completed an audit of Laborers Local 75 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 September 27, 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 75's 2015 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 75 did not retain adequate documentation for credit card expenses incurred by union officers and employees totaling at least \$750.00. For example, the union did not maintain

any supporting documentation for a \$184.73 transaction at Cemenos Pizza on March 25, 2015 and a \$491.43 transaction at Home Depot on June 16, 2015.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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. Meal Expenses

Local 75 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$440.00. For example, the union did not maintain itemized meal receipts for a \$100.00 credit card transaction at Cemenos's Pizza on August 5, 2015 and a \$168.70 credit card transaction at Cottage on Dixie Restaurant on August 14, 2015. 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 75 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 union did not maintain a record of who incurred a restaurant charge at Shamrock Bar & Grill transacted by credit card on February 25, 2015 in the amount of \$112.89. 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.

3. Failure to Record Receipts and Disbursements

Local 75 did not record in its receipts and disbursement journals checks that the local cashed for the union's officers totaling at least \$200.00. The checks were cashed using undeposited cash on hand at the union office. This practice caused the union to underreport its receipts and disbursements on the union books. Union receipts and disbursement records must include an adequate identification of all money the union receives and disburses including checks that the union cashes for its members or officers. As noted above, receipt records must identify the date, amount, purpose and source of the money the union receives. Disbursement records must identify the date, amount, union purpose, and the name of the payees.

4. Vacation Time

Local 75 does not maintain a centralized record of vacation time earned and used by the full-time employees and officers. The president and treasurer, or corresponding principal officers, must ensure that the union maintains adequate records to verify the number of vacation hours accrued and used each year. Vacation records must indicate the date on which vacation time is used and the number of hours used.

5. Union Owned Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) of the LM-2.

Local 75 incurred expenses totaling at least \$45,000.00 for automobiles during 2015. However, Local 75 did not maintain records documenting business versus personal use of the union vehicles.

The LM-2 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 of the LM-2 allocated to the officer to whom each vehicle is assigned.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

Based on your assurance that Local 75 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 75 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) was answered, "Yes," because the union gave away sweatshirts totaling more than \$15,000.00 during the year and traded in vehicles totaling \$44,000.00. However, the local did not identify the sweatshirts and the recipients in Item 69 (Additional Information). 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. Failure to Report Date of Election

Item 19 (What is the date of the labor organization’s next regular election of officers?) was incorrectly answered “June 2016.” Local 75 should have answered “June 2018” as the local is scheduled to hold its next officer election in that month.

3. Reinvestment of Investments

Local 75 reported \$700,096 in sales of investments in Schedule 3 (Sale of Investments and Fixed Assets) and \$916,114 in purchases of investments in Schedule 4 (Purchase of Investments and Fixed Assets), but did not report any amounts in the line labeled “Less Reinvestments” in Schedules 3 and 4. The audit revealed that certain amounts of these sales and purchases were actually reinvestments. The Form LM-2 instructions for Schedules 3 and 4 require labor organizations to enter the total amount from the sale or redemption of U.S. Treasury securities, marketable securities, or other investments that was promptly reinvested in Schedules 3 and 4. Generally, "prompt" means reinvesting (or "rolling over") the funds in a week or less without using the funds for any other purpose during the period between the sale of the investment and the reinvestment. Local 75 must therefore report the amount of reinvestments in Schedules 3 and 4.

4. Investment Book Values

Local 75 did not correctly report the book value of all of its investments in Item B of Schedule 5 (Investments). The Instructions for Form LM-2 state that book value is the lower of cost or market. It appears that the book value of the investments in line Item B should be lowered to at least the cost value of the investments.

5. Value of Other Assets at Beginning and End of Year

Local 75 did not correctly report the value of sweatshirts and apparel that it had on hand at the start of the reporting period and the end of the reporting period in Item 28 and Schedule 7 (Other Assets). The audit revealed that Local 75 had over \$15,000.00 of sweatshirts and apparel at the start and end of the reporting period. The LM-2 instructions require that the local report the value of any asset that cannot be reported elsewhere in Statement A (Assets and Liabilities) in Item 28 and Schedule 7 (Other Assets).

6. Automobile Expenses

Local 75 did not include in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers) disbursements for the operation and maintenance of union automobiles totaling at least \$17,000.00.

The LM-2 instructions provide two methods for reporting automobile-related expenses. The union must report in Schedule 11 direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance). The union may divide the expenses and report them in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use.

Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer in Column F of Schedule 11 with an explanation in Item 69 (Additional Information) that the officer or employee used the vehicle part of the time for personal business. Similarly, if a vehicle assigned to an officer was used less than 50 percent of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the officer used the vehicle partly for official business.

7. Personal and Per Diem Expenses Reported as Gross Salaries

Local 75 erroneously reported some union automobile and cell phone expenses totaling at least \$8,000.00 as gross salaries in Column D of Schedule 11 (All Officers and Disbursements to Officers). Officers declared to the union that these expenses were for their personal benefit and were added to their W-2 wage statements. However, these disbursements for the personal benefit of officers should have been reported in Column G of Schedule 11. Additionally, some per diem payments covering meals for officers at union events totaling at least \$2,400.00 were also erroneously reported as gross salaries in column D of Schedule 11. These disbursements should have been reported in Column F of Schedule 11.

The union must report in Column D of Schedule 11 (Disbursements for Official Business) all wages directly paid to officers. The union must report in Column F of Schedule 11 direct disbursements to officers for reimbursement of expenses they incurred while conducting union business. 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 union officers incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses officers 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 Schedule 11 any direct or indirect disbursements to officers for expenses not necessary for conducting union business.

8. Failure to Itemize Disbursements

Local 75 did not properly report some “major” transaction(s) in Schedules 18 through 19. A “major” transaction includes any individual transaction of \$5,000.00 or more or total transactions to or from any single entity or individual that aggregate to \$5,000.00 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. The audit found that the local did not itemize investment fees exceeding \$5,000 to each of the following financial institutions: First Midwest Financial, BMO Financial Group, and BMO Harris Brokerage. These disbursements should have been properly itemized in Schedules 18 through 19.

9. “Netting” of Receipts Against Disbursements

Local 75 did not report disbursements for investment fees totaling \$26,598 to First Midwest Financial, BMO Financial Group, and BMO Harris Brokerage. These investment fees were apparently “netted” against dividend income in Item 41 on the LM-2. The LM-2 instructions require that labor organizations report all monies disbursed by the union including any portion that was later reimbursed to the union. Statement B of Form LM-2 reports all cash flowing in and out of the union. Therefore, “netting”, which is the offsetting of receipts against disbursements and reporting only the balance (net) as either a receipt or disbursement, is not permitted.

10. Checks Cashed by the Local

Local 75 did not report some check receipts and cash disbursements totaling at least \$200 for checks that were cashed for union officers on January 16, 2015. This practice caused the union to underreport its receipts and disbursements on its Form LM-2. These receipts and cash disbursements should have been recorded in Schedule 14 (Other Receipts) and Schedule 18 (General Overhead), respectively. The union must report in Schedule 14 (Other Receipts) the labor organization’s receipts from all sources, other than those that must be reported elsewhere in Statement B. The labor organization must report in Schedule 18 (General Overhead) disbursements to all entities and individuals that cannot be allocated to any of the other disbursement categories.

11. Automobile Gift to Former President Recorded as Receipt and Disbursement

Local 75 erroneously reported the gift of an automobile to a former president as a receipt and disbursement. The audit disclosed that Local 75 approved giving former President William Stirbis a gift of a 2015 GMC Yukon vehicle upon his retirement in March 2015. The vehicle was purchased with union funds in 2014. No additional cash disbursement was made for the vehicle in 2015. However, the local recorded the vehicle’s fair market value of \$41,000 as wages in Schedule 11 (All Officers and Disbursements to Officers) for William Stirbis and recorded its fair market value of \$41,000 as a receipt in Schedule 3 (Sale of Investments and Fixed Assets). This practice caused the union to over report its

receipts and disbursements on Form LM-2 by \$41,000. In Statement B (Receipts and Disbursements), receipts must be recorded when money is actually received and disbursements must be recorded when money is actually paid out. The purpose of Statement B is to report the flow of cash in and out of your labor organization.

Local 75 must file an amended Form LM-2 for the fiscal year ended December 31, 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. The amended Form LM-2 must be filed no later than October 31, 2016. Before filing, review the report thoroughly to be sure it is complete and accurate.

I want to extend my personal appreciation to Laborers Local 75 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. William Martin, President