



May 26, 2017

Mr. Adam L. Crabtree, Treasurer  
SMART Local 376  
152 Wigeon Court  
Shepherdsville, KY 40165-8365

Case Number: 350-6009285 [REDACTED]  
LM Number: 026683

Dear Mr. Crabtree:

This office has recently completed an audit of Sheet Metal, Air, Rail and Transportation Workers (SMART) Local 376 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 Kelly Gibson, and Secretary Brian Selch on April 13, 2017, 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 376's 2015 records revealed the following recordkeeping violations:

#### 1. General Reimbursed Expenses

Local 376 did not retain adequate documentation for reimbursed expenses incurred by union officers and employees totaling at least \$3,693.87. For example, check [REDACTED] to President Gibson for \$128.62 has no supporting documentation or description of the union

business requiring the disbursement. At least 21 cell phone expense reimbursements totaling \$2,110.51 to officers such as Eric Crews, Wayne Brady, Greg Bryant, [REDACTED], and Anthony Stober were not properly supported with detailed invoices showing specific charges. Disbursements to members [REDACTED] totaling \$511.65 had no documentation and no description of the purpose of the disbursement on the checks or check stubs.

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. Reimbursed Auto Expenses

Local 376 did not retain adequate documentation to support payments to union officers and employees for business use of their personal vehicles totaling at least \$390.00 during 2015. 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. Lost Wages

Local 376 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees on at least 16 occasions totaling \$3,532.82. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 376 officers did not identify the dates wages were lost, the number of hours lost, or the applicable pay rate on most lost wage vouchers. Many lost wage vouchers also contained inadequate descriptions of the union business conducted, such as "investigation," "lost day," or "union business."

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, which contained a sample of an expense voucher Local 376 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.

4. Information not Recorded in Meeting Minutes

During the audit, Mr. Crabtree advised OLMS that all of Local 376's disbursements must be authorized by the membership at the monthly membership meetings. However, the minutes of the 2015 membership meetings do not contain any reference to or approval of at least 17 disbursements totaling \$2,462.87. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

1. Lack of Salary Authorization

Local 376 did not maintain records to verify that some of the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3, specifically, those of the trustees, were the authorized amount and therefore was correctly 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.

Based on your assurance that Local 376 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 376 for the fiscal year ended December 31, 2015, was deficient in the following area:

Disbursements to Officers

Local 376 did not report Vice President Frank Mattingly in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to Local 376 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

I am not requiring that Local 376 file an amended LM report for 2015 to correct the deficient item, but Local 376 has agreed to properly report the deficient item on all future reports it files with OLMS.

Other Issues

1. Signing Blank Checks

During the audit, you advised that checks are not pre-signed by officers. However, a review of voided checks revealed both officers' signatures on at least six checks that had not been fully completed, and at least two incomplete checks that contained President Gibson's signature. Your union's constitution requires that all checks be signed by the

president and treasurer. 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. However, signing a blank or incomplete check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 376 review these procedures to improve internal control of union funds.

2. Expense Policy

As I discussed during the exit interview with Mr. Crabtree, Mr. Gibson, and Mr. Selch, the audit revealed that Local 376 does not have a clear policy regarding the types of expenses officers may claim for reimbursement, specifically cell phone reimbursement. OLMS recommends that unions adopt written guidelines concerning such matters.

3. Lost Wage Policy

The audit revealed that Local 376 does not have a clear policy regarding whether wages must actually be lost from work in order to claim reimbursement for hours spent conducting union business. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to SMART Local 376 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. Kelly D. Gibson, President  
Mr. Brian R. Selch, Secretary