



November 27, 2017

Mr. Clifton Harden, President
Youngstown Waste Water Local 725
[REDACTED]
Youngstown, OH 44502

Case Number: 350-6010243 [REDACTED]
LM Number: 545-191

Dear Mr. Harden:

This office has recently completed an audit of Youngstown Waste Water Local 725 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 on November 3, 2017 with Financial Secretary Patrick Brown, 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.

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 725 for the fiscal year ended December 31, 2016, was deficient in the following areas:

1. Disbursements Reconciliation

It appears that all of Local 725's disbursements figures during the audit year 2016 were not reported in Statement B Cash Disbursements. Total disbursements of \$23,074 were reported in Line 55 – Total Disbursements; however, additional disbursements figures totaling \$11,797 were missing from the cash disbursements section of the LM-3 report to support the \$23,074 total.

For example, disbursements totaling \$5,400 for the Christmas gifts paid to the membership were not recorded in Item 51 – Contributions, Gifts & Grants, and payroll tax payments totaling approximately \$4,928 were not reported in Item 54 – Other Disbursements.

The LM-3 instructions state, "Complete all items and lines on the form as given; complete all items in Statement B and enter "0" where appropriate."

2. Disbursements to Officers

Local 725 did not include reimbursements to officers totaling at least \$1,469 in the amounts reported in Item 24 – All Officers and Disbursements to Officers. For example,

direct payments to Vice President Mike Tubbs and Treasurer Julie Mareschi for travel expense reimbursements should have been recorded next to their names in Column E (Allowances and Other Disbursements) of Item 24. It appears the union erroneously reported these payments only in the total figure of \$23,074 in Item 55 – Total Disbursements of Statement B Cash Disbursements.

The union must report most direct disbursements to Local 725 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).

3. Bonding

Local 725 reported their bonding coverage on the December 31, 2016 Form LM-3 at \$10,000. However, during the audit it was established that actual bonding coverage carried by Local 725 is \$100,000. In the future, please ensure the correct amount of bonding coverage is reported in Item 20 on the LM-3 report.

I am not requiring that Local 725 file an amended LM-3 report for 2016 to correct the deficient items, but Local 725 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Youngstown Waste Water Local 725 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 Mr. Brown are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Mr. Patrick Brown, Financial Secretary