



June 28, 2018

Mr. Frank Furco, Financial Secretary/Treasurer
Building and Construction Trades Department, AFL-CIO
DuPage County Council
28600 Bella Vista Parkway
Warrenville, IL 60555

Case Number: 310-6012213 [REDACTED]
LM Number: 022610

Dear Mr. Furco:

This office has recently completed an audit of Building and Construction Trades Department – DuPage County Council (the Council) 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 Joe Riley, attorney John Toomey and employee [REDACTED] on June 18, 2018, 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 the DuPage County Council's 2016 records revealed the following recordkeeping violations:

1. General Expenses

The DuPage County Council did not retain adequate documentation for an expense incurred by the union totaling \$8,000.00. For this expense, paid via two checks, the Council retained the original invoices from the vendor, Software Visioneer, LLC, but the invoices, nor any other union record, indicated the extent of website related services that were provided to the Council. The audit revealed that a proposal was issued to the union that identified the entirety of website services that would be provided, but this document was not maintained.

As stated in the LM-3 Instructions, the union officers required to file the LM-3 are responsible for maintaining records that will provide in sufficient detail the information and data necessary to verify the accuracy and completeness of the report. Any record necessary to verify, explain, or clarify the report must be retained. 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

The DuPage County Council did not require an officer and an employee to submit itemized receipts for meal expenses totaling at least \$123.04. 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.

The Council's records of meal expenses incurred during 2016 did not fully include written explanations of union business conducted and the names and titles of the persons incurring the restaurant charges. For example, for a charge of \$71.18 for a meal in which you participated, the union purpose and the titles of the other participants were not given. 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. Disposition of Property

The DuPage County Council did not retain an adequate record for items it gave away as prizes at its golf outing. The union retained itemized receipts for the prizes that were purchased. However, the union failed to identify the recipients of the prizes. The union must retain records that identify the date the items were given away and the recipients of those items. In addition, the union must report the value of any union property on hand at

the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

4. Receipt Dates not Recorded

Entries in the DuPage County Council's QuickBooks program reflect the date the union deposited money, but not the date money was received. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

5. Per Capita Tax Receipts Records

The DuPage County Council used QuickBooks to create and print quarterly per capita tax invoices, which it mailed to its affiliates, but failed to maintain copies of its original, unaltered invoices. The Council did not keep on file the hardcopies it printed for itself, and when an affiliate paid a different amount than invoiced, the Council changed its QuickBooks invoice entry to the amount that had been received. In addition, the Council did not maintain the documentation that its affiliates sent with their per capita tax payments, including quarterly per capita tax statements and check stubs, which would indicate the correct number of members for which per capita was being remitted.

To fully verify, clarify and explain its per capita tax receipts, a union should maintain original records of not only the amounts it received but also the amounts it billed. The union must maintain its original invoices as well as any documents that affiliates provide regarding their per capita tax payments, since all of these records support Item 39 (Per Capita Tax Receipts) on the LM-3.

6. Lack of Salary Authorization

The DuPage County Council did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) and Item 46 (Disbursements to Employees) of the LM-3 were the authorized amounts and therefore were 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.

7. Failure to Keep Bank Statements

The DuPage County Council indicated it received monthly bank statements for its certificates of deposit during 2016. The audit revealed, however, that the Council failed

to maintain all of these records. As stated in the LM-3 instructions, bank statements are necessary for reporting account balances in Item 25 (Cash) since the balances reported should be obtained from your organization's books as reconciled with the balances shown on the bank statements. The original bank records that a union receives in the course of business must be retained.

Based on your assurance that the DuPage County Council 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 the DuPage County Council for the fiscal year ended December 31, 2016, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away prizes at its golf outing totaling approximately \$2,703.61. 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. Disbursements to Officers

In Item 24 (All Officers and Disbursements to Officers), the DuPage County Council did not include at your name an indirect disbursement of approximately \$71.18 that it made on your behalf. This was the full cost of a meal in which you and others participated, which you charged on your IBEW Local 701 credit card and the Council then reimbursed the local for. In addition, the Council erroneously reported per diem payments to you, \$600.00 gross, and to President Joe Riley, \$450.00 gross, in Column D (Gross Salary) rather than Column E (Allowances and Other Disbursements).

The union must report most direct disbursements to Council 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. 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. The DuPage County Council amended its bylaws in 2015 but did not file a copy with its LM report for that year.

The Council has now filed a copy of its constitution and bylaws

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

I want to extend my personal appreciation to Building and Construction Trades Department – DuPage County Council 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. Joe Riley, President