



February 5, 2019

Mr. Richard Sage, Treasurer
SMART Local 195-TD
883 N. Cherry Street
Galesburg, IL 61401-8576

Case Number: 310-6015043 [REDACTED]
LM Number: 009121

Dear Mr. Sage:

This office has recently completed an audit of SMART Local 195-TD 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 Thomas Worden, Secretary Jon A. Clark, Trustee Jeremy L. Hodges, Local Chairmen Eric Hart, Bryan Roberts, Brayden Bent, Kyle McGee, Vice Local Chairmen Michael Armstrong, Carsen G. Vancil, LCA Secretaries Tyler Lannholm and Javier Lujan on January 15, 2019, 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 195-TD's 2017 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 195-TD did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$125. 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 195-TD 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, documentation for meals purchased by Local Chairman Eric Hart at Burger King and Local Chairman Bryan Roberts at the Side Trax restaurant did not always include the aforementioned details. 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.

2. Information not recorded in meeting minutes

During the audit, President Worden and Treasurer Sage advised that the membership authorized the payment of expenses including bills of adjustment (Lost Time) at membership meetings. The SMART Constitution, Article 21 B, Section. 63 (Duties of the Local Secretary requires that “The approval for these salaries/reimbursements must be noted in the Local bylaws/Local Committee of Adjustment procedures, Local meeting minutes (in the absence of a meeting quorum a petition can be used). They should clearly spell out the circumstances and limits under which lost time and or expenses will be paid.

However, the minutes of the membership meetings do not consistently contain reference to expenses including bills of adjustment (lost time) presented by Local Chairmen for payment by the Local. Minutes of all membership meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 195-TD 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 195-TD for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Misclassification of Disbursements

Local 195-TD did not include some disbursements totaling at least \$5,885 in Item 48 (Office and Administrative Expenses). It appears that the local erroneously reported these payments in Item 54 (Other Disbursements). The LM-3 instructions require that the local report your organization’s total disbursements for its ordinary office and administrative expenses, for

example, rent, utilities, office supplies, postage, subscriptions, fidelity bond premiums, etc. in Item 48.

2. Reporting of Assets

The other asset figure reported in Item 30 (A) and (B) (Other Assets) were reported as \$0 at the beginning and end of the reporting period. The audit revealed that Local 195-TD maintained a record of their inventory at the beginning and end of the reporting period; however, the other asset balances reported in Item 30 (A) and Item 30(B) were \$0. The instructions for Item 30 state that the union must report the total value as shown on your organization's books at the start and end of the reporting period of all assets which have not been reported in Items 25 through 29.

Other Issues

1. Lost Time Payments

The audit revealed that lost time payments paid to President Josh Ginther totaled \$14,724, while Treasurer Richard Sage received \$13,496. The officers were reimbursed for lost time based on the documentation they submitted without verification by the union. Although you confirmed that the Local 195-TD past practice of paying lost time at either the employer daily rate or at the lower, committee person's daily rate Local officers could not explain the reasoning for being paid at one rate versus the other.

I recommend that Local 195-TD review the union's written lost time policy outlined in SMART Treasurers online resources including those related to wage payments made to officers of the General Committees of Adjustment with all union officers to ensure that they are following the union's procedures for these disbursements. Furthermore, verification of lost wage claims submitted by union personnel by either allowing the officers to compare lost wage claims to employer records or by requiring union personnel to submit proof of lost wages claimed (for example, time cards/pay stubs) can be an effective internal control for such payments.

In conclusion, I want to extend my personal appreciation to SMART Local 195-TD 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,

A solid black rectangular box used to redact the signature of the investigator.

Investigator