

U.S. Department of Labor
Office of Labor-Management Standards
Washington District Office



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August 1, 2019

Mr. Brent Warnes, Treasurer
Sheet Metal, Air, Rail and Transportation Workers
Local 1522

Case Number: 450-6015008 [REDACTED]
LM Number: 040-740

[REDACTED]
[REDACTED]

Dear Mr. Warnes:

This office has recently completed an audit of Sheet Metal, Air, Rail and Transportation Workers Local 1522 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 July 16, 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 1522's 2017 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 1522 did not retain adequate documentation for reimbursed expenses incurred by union officers. For example, there was no supporting documentation for some disbursements for travel expenses such as transportation, hotels, and meals.

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 1522 did not require officers to submit itemized receipts for meal expenses. The union must maintain itemized receipts provided by restaurants to officers. 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.

In addition, Local 1522 records of meal expenses did not always include a written explanation of the union business conducted or the names and titles of the persons incurring the restaurant charges. 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 incurred meal expenses.

3. Lost Wages

Local 1522 did not retain adequate documentation for lost wage reimbursement payments to some union officers. 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.

During the exit interview, I provided a compliance tip sheet, Union Lost Time Payments, that contained a sample of an expense voucher Local 1522 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. General Expenses

Local 1522 did not retain adequate documentation for some disbursements made by the union. For example, the union did not retain records for fees paid to the US Treasury or the IRS.

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.

5. Failure to Retain Receipt Records

Local 1522 did not retain employer dues checkoff records. All union records must be retained.

6. Information Not Recorded in Meeting Minutes

During the audit, the Local 1522 officers advised OLMS that the membership authorized the purchase of food for the local's holiday party. However, there are no membership meeting minutes or anything else in the union's records that reference that approval. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

7. Insufficient Descriptions

There were some disbursements in which the union business purpose was not sufficiently descriptive. "Meeting" is not sufficiently descriptive. All disbursement records, including check card receipts, must contain an adequate description of the nature of the union business requiring the disbursement.

8. Lack of Salary Authorization

The salaries of most Local 1522 officers are included in the Local 1522 bylaws. However, the audit revealed that the local chairman received a salary during the audit period even though the bylaws do not authorize a salary for this position. There were also no meeting minutes or other documents authorizing this salary. If the union is going to continue paying the local chairman a salary, it should amend its bylaws to reflect the local chairman's salary.

Based on your assurance that Local 1522 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 1522 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Delinquent LM Reports

The Labor Organization Annual Report, Form LM-3, is required to be filed within 90 days of the end of a labor organization's fiscal year. Local 1522 failed to file its LM-3 reports on time for fiscal years 2017 and 2018. The president and secretary-treasurer are personally responsible for timely filing the union's LM-3 reports. The LM-3 reports have now been filed. However, Local 1522's failure to timely file the LM-3 reports in the future could result in the initiation of enforcement proceedings.

2. Assets

The amount Local 1522 reported in Item 25b (Ending Cash) on the December 31, 2017 LM-3 report is not correct. The LM-3 instructions for Item 25 (Cash) state to enter the total of the labor organization's cash on hand and on deposit at the end of the reporting period.

3. Total Receipts

The amount reported in Item 44 (Total Receipts) is not correct. The instructions for the Form LM-3 state that the union must report the flow of money into the organization. Transfers between separate bank accounts or between special funds of your organization, such as vacation or strike funds, do not represent the flow of cash into your organization. Therefore, these transfers should not be reported as receipts of your organization.

4. Total Disbursements

The amount reported in Item 55 (Total Disbursements) is not correct. The instructions for the Form LM-3 state that the union must report the flow of money out of the organization. Transfers between separate bank accounts or between special funds of your organization, such as vacation or strike funds, do not represent the flow of cash out of your organization. Therefore, these transfers should not be reported as disbursements of your organization.

5. Disbursements to Officers

Local 1522 did not include all the reimbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). The audit revealed that the salary amounts listed in Column D (Gross Salary) for some officers was not accurate. In addition, several union officers incurred travel expenses and other expenses during the audit year, but these expenses were not reported next to their name in Column E (Allowances and Other Disbursements). Such payments appear to have been erroneously reported in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 1522 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. An "indirect disbursement" to an officer is a payment to another party (including check card companies) 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).

Local 1522 must file an amended Form LM-3 for fiscal year ending December 31, 2017, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website (www.olms.dol.gov). The amended Form LM-3 must be filed electronically no later than August 31, 2019. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Issues

The audit revealed that only one union officer has access to the union's online banking. OLMS recommends that Local 1522 provide access to at least one additional officer to improve the internal control of union funds.

I want to extend my personal appreciation to SMART Local 1522 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,


Auditor

cc: Mr. Dave Washington, President