

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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October 9, 2008

Mr. Gary Kinsley, President
International Association of Tool Craftsmen
3710 Kasper Street
Racine, WI 53402-3542

RE: International Compliance Audit Program (I-CAP)
International Association of Tool Craftsmen (IATC)
LM File Number 000-204

Dear President Kinsley:

The Office of Labor-Management Standards (OLMS) within the Department of Labor recently completed a compliance audit of the International Association of Tool Craftsmen to assess its compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). The audit was conducted under the OLMS International Compliance Audit Program (I-CAP).

On September 24, 2008, the I-CAP Team conducted an exit interview with Treasurer Phillip Uebe. During the exit interview, the I-CAP Team reviewed audit findings, identified actions that the IATC must take to correct the deficiencies identified, and recommended actions to enhance the union's internal controls. This letter captures the audit's civil findings as generally discussed during the exit interview. It does not purport to be an exhaustive list of all possible problem areas, since the audit was limited both in scope and duration.

Reporting Deficiencies – LMRDA Section 201(b)

Section 201(b) of the LMRDA requires that labor organizations file with OLMS an annual financial report that accurately discloses the union's financial condition and operations. The following deficiencies were noted on the IATC Form LM-3 for the fiscal year ending December 31, 2007. Subsequent Form LM-3 filings must be prepared so as not to contain these deficiencies.

1. Disbursements to Officers

The IATC did not include some reimbursements to officers totaling at least \$4,141.67 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

Direct disbursements to the IATC officers and some indirect disbursements made on behalf of its officers must be reported 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).

2. Reporting of Office and Administrative Expense

The IATC failed to properly report a disbursement for a fidelity bond premium in Item 48 (Office and Administrative Expense) of the LM-3. It appears that the disbursement was erroneously reported in Item 50 (Benefits).

The instructions for the LM-3 report require that expenses for "rent, utilities, office supplies, postage, subscriptions, fidelity bond premiums" be reported in Item 48. Any disbursement for bond premiums made by the IATC must be reported in Item 48.

3. Bonding

The IATC reported in Item 20 (Fidelity Bond) that it is currently bonded for \$20,000. IATC's bonding certificate dated May 7, 2007, from Western Surety Company states that the IATC is bonded for \$55,000. The IATC must report the proper amount of their fidelity bond in Item 20.

Inadequate Recordkeeping – LMRDA Section 206

Pursuant to Section 206 of the LMRDA, every person required to file any report under LMRDA Title II shall maintain records on the matters reported that will provide in sufficient detail the necessary information from which the reports filed may be verified, explained, or clarified and checked for accuracy and completeness. All required records must be maintained for at least five years following the date the financial report is filed. Records over five years must be maintained if they are necessary to verify reports filed within the last five years, for example, to verify current financial activities of the union, such as meeting minutes that note approval for officer salary increases. There were instances noted during this audit where the IATC did not comply with the recordkeeping requirements of Section 206. During the exit interview, you were informed that adequate records necessary to document all financial transactions, regardless of the amount, must be maintained for a minimum of five years.

4. Hotel Expenses

The IATC did not retain adequate documentation for reimbursed hotel expenses incurred by union officers for at least \$1,764.66 of the more than \$6,753 in reimbursed expenses during 2007. For example, you and several other officers were each reimbursed \$188.16 for lodging to attend the International Meeting in May 2007. Hotel invoices have not been maintained.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

5. Meal Expenses

The IATC did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$847.99. Itemized receipts provided by restaurants to officers and employees must be maintained. 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 IATC 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, you received a reimbursement of \$785 for "meals" during the International Meeting held on March 23 and 24, 2007. The exact dates of individual meals as well as those who participated in the meal have not been recorded. 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.

6. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$1,470.02 during 2007. For example, Secretary John Magnuson received a \$209.52 mileage reimbursement to attend the Executive Council Meeting. The location traveled from was not recorded in union records. Records which identify the dates of travel, locations traveled to and from, and number of miles driven must be maintained. 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.

7. Receipt Dates not Recorded

Entries in the IATC's general ledger reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of each receipt. 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.

Internal Controls

Adequate internal financial controls are essential to prevent the misuse of union funds and to support financial responsibility and other obligations under Title II and Title V of the LMRDA. Title V of the LMRDA stipulates, among other things, the fiduciary responsibility of officers of labor organizations. As a general rule, weaknesses in financial controls can lead to violations of Section 501 of the LMRDA.

8. Allowances

During the organizational interview, Treasurer Phillip Uebe stated that the President, Treasurer, and Secretary of the IATC each receive a \$1,500 allowance (utility expense) each year as compensation for holding office as well as for incidental expenses associated with maintaining a home office. Vouchers for payment of this allowance have been maintained by the union; however, authorization for this allowance has not been maintained in union records. IATC should keep a record, such as meeting minutes, to show the current allowance authorized by the entity or individual with the authority to establish allowance.

Please accept my appreciation for the cooperation and courtesy extended by IATC during this compliance audit. If you have any questions, please do not hesitate to contact me.

Sincerely,



Larry Wauck
District Director
Milwaukee District Office

cc: Phillip Uebe, Treasurer