

U.S. Department of Labor

Office of Labor-Management Standards
Cincinnati District Office
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September 9, 2009

Mr. Chris Lytle
General Secretary-Treasurer
Industrial Workers of the World
4001 Hamilton Avenue
Cincinnati, OH 45223

RE: International Compliance Audit Program (I-CAP)
Industrial Workers of the World
LM: 070-232

Dear Mr. Lytle:

The Department of Labor, Office of Labor-Management Standards (OLMS) recently completed a compliance audit of the Industrial Workers of the World (IWW) 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 August 10, 2009 the I-CAP Team conducted an exit interview with you and Executive Board Member Heather Gardner. During the exit interview, the I-CAP Team reviewed audit findings, identified actions that the IWW must take to correct the deficiencies identified, and recommended actions to enhance the union's internal controls. This letter captures the audit findings as discussed during the exit interview. It does not purport to be an exhaustive list of all possible problem areas because the audit was limited in scope.

Reporting Deficiencies – LMRDA Section 201(a)

Section 201(a) of the LMRDA requires every labor organization that amends its constitution and bylaws to submit a copy of the revised documents with its next annual financial report.

1. The IWW answered "Yes" to Item 21 (Change in Constitution and Bylaws), but two dated copies of your union's revised constitution and bylaws were not attached to the Form LM-3 reports you sent to OLMS. The IWW's most recent

constitution, as amended through January 1, 2009, has now been filed. OLMS informed the IWW of its responsibility to submit all future changes as an attachment to its next annual financial report.

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 IWW's Form LM-3 for the fiscal year ending June 30, 2008. The deficiencies identified in this section must be corrected in an amended Form LM-3 for the union's fiscal year ending June 30, 2008, and please keep in mind that subsequent Form LM-3 filings must be prepared so as not to contain these deficiencies.

2. The IWW answered "Yes" to Item 14 (Audit Review of Books). However, all required information was not provided in Item 56 (Additional Information). The IWW is required to report in Item 56 whether the audit or review was performed by an outside accountant or parent body auditor. If the audit was conducted by an outside accountant, the name of the accountant or accounting firm must also be provided in Item 56.
3. The IWW answered "Yes" to Item 17 (Employees), and listed General Secretary-Treasurer Mark Damron as the employee in Item 56 (Additional Information). Item 17 should have been marked "No" because the general secretary-treasurer is listed as an officer position in the IWW Constitution, and Item 17 applies only to employees.
4. The IWW did not provide all of the information required in Item 24 (Officers and Disbursements to Officers). Column "A" must list the first and last name of all officers, and columns "B" and "C" must be completed for every line with an entry in column "A." Four officers are listed without a first name, and seven officers are listed without a title.

In addition, Columns "D," "E" and "F" must be completed with the appropriate number or "0" for every line with an entry in column "A." Parts of your Item 24 are either marked with a hyphen, or the column is left blank. Column "F" must equal the total of columns "D" and "E." If additional pages are needed to complete Item 24, continuation pages must be used, and the totals must be properly reported in line eight. Line nine, columns "D," "E," and "F" must equal

the total of lines one through eight, and lines 10 and 11 must be correctly completed.

5. The audit of IWW records disclosed at least \$2,800 in health benefits paid to General Secretary-Treasurer Mark Damron to cover any medical expenses. The audit also disclosed at least \$12,410.59 in expense reimbursements paid to the general secretary-treasurer. However, those payments were not reported in Item 24(E) (Allowances and Other Disbursements).
6. Items 25(A) to 31(A) (Asset Items – Start of Reporting Period) must be the same as the entries in Items 25(B) to 31(B) (Asset Items – End of Reporting Period) in your union’s prior year Form LM-3, or an adequate explanation must be provided in Item 56 (Additional Information). The IWW reported cash assets of \$91,290 in Item 25(B) of its fiscal year 2007 Form LM-3, and only \$51,290 in Item 25(A) of its fiscal year 2008 Form LM-3. The IWW also reported \$36,989 in Item 30(B) of its fiscal year 2007 Form LM-3, and only \$534 in Item 30(A) of its fiscal year 2008 Form LM-3.
7. Item 31(A) (Total Assets – Start of Reporting Period) must be the same as the entry in Item 31(B) (Total Assets – End of Reporting Period) in your union’s prior year Form LM-3, or an adequate explanation must be provided in Item 56 (Additional Information). The IWW reported total assets of \$128, 279 in Item 31(B) of its fiscal year 2007 Form LM-3, and only \$88,279 in Item 31(A) of its fiscal year 2008 Form LM-3.
8. Items 32(C) to 36(C) (Liability Items – Start of Reporting Period) must be the same as the entries in Items 32(D) to 36(D) (Liability Items – End of Reporting Period) in your union’s prior year Form LM-3, or an adequate explanation must be provided in Item 56 (Additional Information). The IWW reported \$397 in liabilities in Item 35(D) of its fiscal year 2007 Form LM-3, and only \$390 in Item 35(A) of its fiscal year 2008 Form LM-3.
9. Item 37(C) (Net Assets – Start of Reporting Period) must be the same as the entry in Item 37(D) (Net Assets – End of Reporting Period) in your union’s prior year Form LM-3, or an adequate explanation must be provided in Item 56 (Additional Information). The IWW reported net assets of \$121,541 in Item 37(D) of its fiscal year 2007 Form LM-3, and only \$81,548 in Item 37(C) of its fiscal year 2008 Form LM-3.

10. The IWW's reported cash figures for the period do not balance (reconcile). Cash at the start of the reporting period (Item 25(A)) plus total receipts (Item 44) minus total disbursements (Item 55) does not equal cash at the end of the reporting period (Item 25(B)). Your union's cash reconciliation is off by \$40,000, so one or more of the reported figures in these items is inaccurate and should be corrected, or an adequate explanation must be provided in Item 56 (Additional Information).
11. Item 58 (Treasurer's Signature) must have the original signature of your union's treasurer, or corresponding officer, as explained in the instructions. The IWW's Form LM-3, for the period ending June 30, 2008, has an original signature for the general secretary-treasurer in Item 57 (President's Signature) instead of in Item 58, and Item 58 is signed using a signature stamp.

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, meeting minutes that verify current financial activities of the union such as approval for officer salary increases should be kept. There were instances noted during this audit where the IWW 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.

12. IWW General Headquarters did not maintain adequate records regarding officer expenses. The union did not maintain all transaction receipts, supporting documentation for meals often did not indicate a purpose or list the attendees, and expense reports submitted for payment of mileage expenses did not indicate a starting or ending point, so it was impossible to verify the number of miles traveled.
13. The IWW Literature Department did not maintain adequate receipts records in that it did not keep original order forms after entering information from the forms into QuickBooks. In addition, the Department was not recording the date funds (e.g. stipends from IWW General Headquarters) were received, only the

date a deposit was made, and each payment received was not individually itemized in deposit slips or in QuickBooks.

Bonding – LMRDA Section 502

Section 502 of the LMRDA requires that if a labor organization has assets and annual receipts totaling more than \$5,000, each of its officers, employees, and agents who handle funds, or other property of the union, must be bonded. The amount of the bond must be at least 10 percent of the value of the funds handled during the union's most recent reporting period, up to a maximum bond of \$500,000. And the bond must be obtained from a surety company approved by the Secretary of the Treasury.

14. A review of the union's bond certificate disclosed that the IWW coverage was not sufficient, in part because section five of its policy requires that the person who embezzles union funds or steals union assets "is tried and convicted by a court of proper jurisdiction." As a result, the IWW was advised that it must amend its coverage.

Office Holding Prohibitions – LMRDA Section 504

Section 504 of the LMRDA prohibits persons convicted of certain offenses from holding labor organization office or employment for a period of thirteen years from the date of conviction or release from prison, whichever is later. It is also a violation of Section 504 for another person to willfully and knowingly hire, retain, employ or otherwise place the barred person in a prohibited capacity.

15. The IWW does not conduct criminal background checks of its officers or employees. OLMS recommends that the IWW establish a system for determining whether any officer or employee has disqualifying criminal records. During the exit interview, OLMS emphasized the importance of verifying background information to ensure individuals do not hold office or employment in violation of LMRDA Section 504.

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.

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16. Duties involving the processing of cash receipts were not adequately segregated. Presently, General Secretary-Treasurer Chris Lytle receives, records, and deposits incoming checks. OLMS recommends further segregation of duties as follows: one staff member lists all receipts; a second staff member records all receipts to the general ledger (QuickBooks); a third staff member prepares deposit slips and makes bank deposits; and the first staff member reconciles receipts to the cancelled bank deposit slips.

As agreed during the exit interview, the IWW will submit, within 30 days of the date of this letter, an amended Form LM-3 for its fiscal year ending June 30, 2008, and a response letter. The response letter should identify the corrective actions implemented by the IWW based on the results of this compliance audit. The Cincinnati District Office will schedule an on-site follow-up in approximately six months to review corrective actions taken, and to continue cooperative efforts to prevent and correct LMRDA violations.

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

Sincerely,



Lesta A. Chandler
District Director
Cincinnati District Office

cc: Heather Gardner, Executive Board Member