

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 140's 2005 records revealed the following recordkeeping violation:

Union officers who were assigned union-owned automobiles failed to maintain mileage logs documenting the business use of union vehicles. In the case of union-owned and leased vehicles, logs are required to be maintained for each union vehicle documenting the date, number of miles driven, and business purpose of each use. In the case of reimbursed mileage expenses for personal vehicles used for business travel, records must be maintained which identify the date of travel, locations traveled to and from, number of miles driven, and the business purpose of each use.

The LM instructions include specific rules for the reporting of automobile expenses. Operating and maintenance costs for each union owned or leased vehicle must be reported in Schedules 11 and 12 of the LM-2 and Item 24 of the LM-3, allocated to the officer or employee to whom each vehicle is assigned. During the exit interview, Mr. Lee agreed that he and President Tim Ballwahn will begin to maintain mileage logs as described above.

Other Issues

During the audit, I advised that the language found in the minutes of the Local 140 nomination meeting conducted on April 23, 2003 regarding the calculation used to determine the salary of the business manager for the next three year period was unclear in that it did not appear to authorize the business manager to be paid 40 hours per week at the calculated rate and 5 hours per week at 1½ times the calculated rate as the business manager has been paid for the entire period. The minutes provide that the salary is to be \$.25 per hour above the rate of the highest paid Laborer in the 66 County Sewer and Water Agreement for Local 140's area. Even though there was no mention of the number of hours per week to be paid, minutes of previous nomination meetings confirm that the number of hours authorized to be paid was 45. However, the language from previous nomination meeting minutes does not specifically state that 40 hours should be paid at the calculated rate and the other 5 hours at 1½ times the calculated rate. Discussions with Mr. Lee and other Local 140 executive members confirmed that it was the intention of the board to pay 40 hours at the calculated rate and 5 hours at 1½ times the calculated rate. However, to eliminate any confusion in the future regarding

this issue, I suggest that new language be used to specifically state that 5 of the 45 hours will be paid at 1½ times the calculated rate each week.

It is my understanding that the Internal Revenue Service considers the use of an employer owned or leased vehicle by an employee for non-business purposes to be a taxable fringe benefit. IRS Publication 15-B provides information regarding the different options available to employers for valuating this benefit for the purposes of reporting the benefit as part of total annual compensation to the employee. I strongly suggest that Local 140 consult with a financial advisor to determine the most appropriate method. Presently, Local 140 deducts a total of \$21 per week from the wages of the business manager and \$15 per week from the wages of the president for the use of the union owned automobiles assigned to them. This method of deducting a certain amount from weekly wages is not included in the options made available to employers in IRS Publication 15-B. Additionally, the valuation determined for the personal use of the union owned vehicles must be reported in column G of schedule 11 of the Form LM-2 filed each year for Local 140.

I want to extend my personal appreciation to Laborers Local 140 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter is passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,


Investigator

cc: Kevin Lee, Secretary-Treasurer