



September 14, 2005

Mr. Dana Brigham
General President
International Union of Elevator Constructors
7154 Columbia Gateway Drive
Columbia, MD 21046

Dear Mr. Brigham:

The Office of Labor-Management Standards (OLMS) within the Department of Labor recently completed a review of International Compliance Audit (I-CAP) findings reported to the International Union of Elevator Constructors (IUEC) in our closing letter of December 1, 2004. The audit was conducted pursuant to the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA). During our meeting on July 11, 2005 with Mr. James Chapman, Assistant to the General President, we reviewed the deficiencies that had been identified during the audit to assess IUEC's progress in complying with the requirements of the LMRDA. The areas of deficiency that had been identified in the closing letter are noted below:

- a) Reporting of Officer and Employee Expenses
 - i) Record Retention Policies
 - ii) Adequacy of Supporting Documentation
- b) Internal Control Issues
 - i) Segregation of Accounting Duties
 - ii) Accountant Education and Training
 - iii) Control and Use of Signature Stamps
- c) Fixed Asset Inventory
 - i) Complete Inventory
 - ii) Capitalization Policy
- d) Membership Reconciliations
 - i) Regular Comparison/Reconciliations of Membership lists with Benefit Report of Enrollees

The purpose of our review was to evaluate the response by the union to the issues identified during our audit and to provide ongoing compliance assistance. Our findings during the review indicated:

- a) During the audit, the I-CAP team had noted that documentation for officer and employee expenses was inadequate. The review disclosed a continuing lack of supporting documentation resulting in additional deficiencies since the audit was completed in December 2004.
- b) The union has adopted a record retention policy as recommended by the I-CAP Team.

- c) Segregation of accounting duties has been implemented.
- d) The signature stamps have been assigned to personnel other than the accountant, as recommended.
- e) The accountant has completed a course of instruction as recommended, and enrolled for an additional class starting in the Fall.
- f) A fixed asset inventory has been started and capitalization of fixed assets has been implemented as recommended.
- g) The union has implemented a membership reconciliation and has identified and rectified errors as a result of implementing this recommendation.

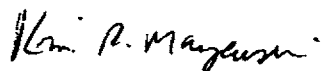
As you know, Section 501(a) of the LMRDA requires officers, agents, shop stewards, and other representatives of a labor organization to expend the union's money and property solely for the benefit of the organization and its members. For several expenses, the documentation provided by the union, both during the audit and during the follow up, did not provide adequate support for a union purpose. This documentation raised questions as to whether the officers and employees of the IUEC complied with this provision.

For example, officers frequently travel with spouses and the spouses' expenses are reimbursed if they are for a union purpose, as permitted by the union. However, on the original audit as well as in the follow-up review, the I-CAP team could not always identify the union purpose of the spousal travel with the documentation provided. In addition, the union purpose given on several disbursements reviewed during the follow-up were identified as "social function," or "arbitration." These descriptions do not provide sufficient detail to identify the union purpose of the transactions.

Further, the business mileage reimbursed by the union for the three general officers was not substantiated in accordance with the Special Rules for Automobiles in the schedule for disbursements to officers. The union did make a good faith effort to recreate the logs after a request from the I-CAP team, and the officers have agreed to maintain logs for each leased vehicle that detail the date, miles driven, and business purpose of each use.

In regard to the adequacy of supporting documentation for officer and employee expenses, as well as spousal travel expenses, there will be an unannounced follow-up in the upcoming year to assure the recommendations outlined in the audit completed last year, and reiterated in this follow-up, have been fully implemented. Please feel free to contact us for further assistance with the reporting and compliance requirements of the LMRDA.

Sincerely,



Kim R. Marzewski, Chief
Division of International Union Audits