

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Minneapolis Resident Investigative Office
900 Second Avenue South, Room 450
Minneapolis, MN 55402
(612)370-3111 Fax: (612)370-3107



June 7, 2007

Mr. Mitch Treptow, President
Laborers Local 68
19466 540th Ave,
Wells, MN 56097-6155

LM File Number 004-175

Case Number: [REDACTED]

Dear Mr. Treptow:

This office has recently completed an audit of Laborers Local 68 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 and Lamar Johnson on June 6, 2007, 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 68's 2006 records revealed the following recordkeeping violations:

1. Reimbursed Auto Expenses

You and Secretary-Treasurer and Business Agent Lamar Johnson received reimbursement for business use of your personal vehicles but did not retain adequate documentation to support payments to you totaling at least \$2,204.11 during Local 68's 2005-2006 fiscal year. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. 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.

2. Lost Wages

Local 68 did not retain adequate documentation for lost wage reimbursement payments to you, Mr. Johnson, and member [REDACTED] totaling at least \$5,381.74. 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. The audit found that Local 68 officers did not identify in union records the exact date wages were lost or the nature of the union business conducted.

During the exit interview, I provided a sample of an expense voucher Local 68 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.

3. Disposition of Property

Local 68 did not retain vendor receipts for its purchase of union hats, jackets, and other property, nor did it maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. For example, check [REDACTED] was made payable to Union House Inc. in the amount of \$795.00. A note on the check stub's purpose line indicated that the check was for the "union jacket order." However, no vendor receipt was retained for this purchase. The union must also report the value of any union property on hand at the beginning and end of each year in Item 30 (Other

Assets) of the Labor Organization Annual Report (Form LM-3). The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. The union must also record in at least one record the date and amount received from each sale of union hats, jackets, and other items.

4. Failure to Record Receipts

Local 68 did not record in its receipts records some employer dues checkoff checks and some interest earned on its accounts totaling at least \$32,453.79. For example, employer dues checkoff checks received after July 2006, totaling \$32,448.00, were not recorded in Local 68's receipts records. Also, bank interest earned on Local 68's main checking account was not recorded in the union's receipts journal. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

5. Receipt Dates not Recorded

Entries in Local 68's receipts journal reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of 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.

6. Lack of Salary Authorization

During the audit, you advised OLMS that you, Recording-Secretary Scott Johnson, and Steward Bob Bruegger were entitled to five hours of lost wages each month as part of their salary, and that Secretary-Treasurer and Business Agent Lamar Johnson was entitled to 80 hours of lost wages each month as part of his salary. You advised that this has been a long-standing practice within Local 68 for the past 25 years. However, Local 68 did not maintain records to verify that these monthly salary payments were in fact authorized. Records must be kept which verify that the salary amounts paid to all officers reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. Local 68 must keep a record, such as meeting minutes, to

show the current salary authorized by the entity or individual with the authority to establish salaries.

7. Disbursements Records

Local 68 failed to retain adequate disbursements records from which the amounts reported in Statement B (Receipts and Disbursements) of the LM-3 could be verified. While Local 68 did record its disbursements on check stubs, the information recorded on the check stubs is not sufficient to determine how the disbursements may have been reported on the LM-3. Local 68 has a disbursements journal in which disbursements can be recorded and assigned to bookkeeping categories which could be used to determine the amounts reported on the LM-3. However, disbursements have not been recorded in the union's disbursements journal since June 2002.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 68's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

Reporting Violations

The audit disclosed violations 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 68 for fiscal year ending June 30, 2005 were deficient in the following areas:

1. Loans Payable

Local 68 incorrectly reported \$1,790 in loans payable in Item 33(C) (Loans Payable at Start of Reporting Period). The audit revealed the balance of the union's loans payable were \$1,930. It appears that the union erroneously reported its loan balance as of August 9, 2004 instead of the correct loan balance as of July 1, 2004.

2. Fees, Fines, Assessments, and Work Permits

Local 68 did not include initiation fees and temporary employee fees totaling at least \$6,722 in the amount reported in Item 40 (Fees, Fines, Assessments & Work Permits). It appears the union erroneously reported these payments in Item 38 (Dues).

3. Dues Receipts

Local 68 erroneously reported \$59,247 in dues receipts over the course of its 2005 fiscal year. Union records indicate that Local 68 actually received \$53,828 in dues receipts. It appears that Local 68 erroneously allocated some of its dues receipts to the incorrect fiscal year.


Other Issues

Signing Blank Checks

The audit revealed that you signed some blank checks for use by Mr. Johnson. Your union's bylaws require that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance, a practice clearly utilized in Local 68, does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 68 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Laborers Local 68 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,


Investigator

cc: Lamar Johnson, Secretary-Treasurer and Business Agent