

# 2008 Annual Report



## Office of Labor-Management Standards

Employment Standards Administration

U.S. Department of Labor

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## Introduction

Ensuring financial integrity and accountability and safeguarding union democracy for America's union members is the mission of the Department of Labor's Office of Labor-Management Standards (OLMS). In 1959, Congress enacted the Labor-Management Reporting and Disclosure Act (LMRDA) to combat union-related corruption, and OLMS continues today to pursue this important goal through criminal and civil enforcement of the LMRDA.

The LMRDA establishes a bill of rights for union members; reporting and disclosure requirements for unions, union officers, union employees, employers, and others; rules for establishing and maintaining trusteeships; standards for the election of union officers; and safeguards for protecting union funds and assets. OLMS also administers Executive Order 13201, which requires Federal contractors to notify employees of their rights concerning payment of union dues or fees.

OLMS is the front line agency responsible for enforcing the LMRDA through its criminal investigations of embezzlement, deprivation of rights by violence, extortionate picketing, willful failure to file reports, filing false reports, and fraud related to union elections. Civil investigations include violations of the LMRDA in union election procedures, financial disclosure requirements, and trusteeship standards.

OLMS also performs audits of union finances, administers a comprehensive compliance assistance program, and offers information and technical support to union officers and members to further the goals of financial integrity, union democracy, and transparency.

OLMS at times conducts joint investigations with other Labor Department agencies, including the Employee Benefits Security Administration and the Office of Inspector General, as well as other law enforcement agencies including the Federal Bureau of Investigation.

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## Summary Statistics

### Safeguarding Union Assets

As part of its effort to protect and safeguard union funds and assets, OLMS investigates possible embezzlement from unions and other violations of criminal laws. Since 2001, restitution of \$91,524,704 has been paid or ordered to be paid to defrauded unions and other parties. OLMS also conducts audits of local, intermediate and, international unions to ensure and promote their compliance with the LMRDA.

<b>OLMS Enforcement Statistics – Financial Integrity</b>	<b>FY 2008</b>	<b>Change from FY 2001</b>
Criminal Cases Processed	391	+5.4%
Indictments	131	+ 32.0%
Convictions	103	+1%
Compliance Audits Conducted – Local + Intermediate Unions (CAP)	791	+232%
Compliance Audits Conducted – International Unions (I-CAP)	7	+600%
International Compliance Audits – Follow-up Audits	3	+300%

### **Financial Reporting and Recordkeeping**

OLMS offers compliance assistance sessions for union members and officials on the financial reporting and recordkeeping obligations under the LMRDA. OLMS also continued to provide extensive compliance assistance in the use of electronic filing software and the reporting requirements of the Form LM-2, the annual financial report for the nation’s largest unions.

<b>OLMS Enforcement Statistics – Reporting and Disclosure</b>	<b>FY 2008</b>
Delinquent Reports Cases Processed	2016
Deficient Reports Cases Processed	799

### **Union Democracy**

When a union member files a timely complaint protesting a regularly scheduled election of union officers, OLMS initiates an investigation. If the investigation determines that the union violated the requirements of the LMRDA, the union may agree to allow OLMS to supervise a new election. If the union refuses to voluntarily agree to remedy the violation, OLMS may take legal action seeking a new election supervised by OLMS.

The agency also conducts investigations to determine the validity of the imposition or continuation of trusteeships imposed by national unions on subordinate bodies. Trusteeship investigations are conducted upon receipt of a complaint from a member or subordinate body.

<b>OLMS Enforcement Statistics – Union Democracy</b>	<b>FY 2008</b>
Election Investigations Conducted	131
Lawsuits Filed	8
Voluntary Compliance Agreements Obtained	28
Supervised Elections	35
Trusteeship Investigations	12

## **Program Activities**

### **Criminal Enforcement**

Union officers, employees, and representatives have a duty to manage the funds and property of the union solely for the benefit of the union in accordance with its constitution and bylaws. A union officer or employee who embezzles or misappropriates union funds or assets commits a federal crime punishable by a fine and/or imprisonment. OLMS is responsible for investigating these crimes. Its vigorous criminal enforcement program has resulted in 972 indictments and 904 convictions since the beginning of FY 2001. Following are some of the most significant cases from FY 2008.

### **Guilty Plea for Forgery and Theft of \$454,406 from Transit Union**

An investigation by OLMS led to the indictment and conviction of Thomas Wallace, former Financial Secretary-Treasurer of the Amalgamated Transit Union (ATU) Division (Div) 757 in Portland, Oregon. The investigation established that Wallace wrote a series of unauthorized union checks to himself totaling \$454,406 over a six-year period. He pled guilty to one count of uttering a forged security (18 USC 513) on May 20, 2008. As a part of the plea agreement Wallace acknowledged responsibility for the entire \$454,406 loss and agreed to pay full restitution.

### **IBEW Local 163 Suffers More than \$256,000 Loss**

Joseph Capece, former business manager of the International Brotherhood of Electrical Workers (IBEW) AFL-CIO Local 163 in Wilkes-Barre, Pennsylvania, used the union's debit and credit cards to make cash withdrawals and pay personal charges at the union's expense. Capece was sentenced to six months imprisonment on March 18, 2008. Once released from incarceration, Capece must serve two years probation with six months of home confinement. Capece was fined \$4,000 and ordered to pay a special assessment fee of \$100. Capece repaid Local 163 approximately \$250,000 prior to sentencing.

### **Asbestos Workers Business Agent Embezzles \$829,762 from Union and Training Funds**

John Dabronzo, former Business Agent and Joint Apprenticeship and Training Committee (JATC) Administrator of Asbestos Workers Local 89, Trenton, New Jersey, pled guilty to an information charging him with one count of embezzlement of union funds in violation

of 29 U.S.C. 501(c) in the amount of \$433,308 and one count of embezzlement of JATC funds in violation of 18 U.S.C. 664 in the amount of \$396,455. During the period May 2005 through April 2007 Dabronzo absconded with 300 employer remittance checks from the union office totaling \$433,308. The employer remittance checks should have been deposited into the Asbestos Workers Local 89 Distribution Fund. However, from May 2005 through April 2007, Dabronzo deposited these checks into the Asbestos Workers Local 89 JATC Fund checking account and received the proceeds of 276 checks totaling \$396,455 that were withdrawn from the JATC Fund. Dabronzo wrote the checks out to himself and cash. This investigation was worked jointly with the Department of Labor's Office of the Inspector General and the Employee Benefits Security Administration.

### **Filing a False LM Report Leads to AFGE Conviction**

An investigation by OLMS led to the indictment and conviction of Karimah Bailey, former Treasurer of the American Federation of Government Employees (AFGE) Local 3197 in Seattle, Washington. The investigation established that Bailey embezzled union funds totaling \$98,802 over a two-year period. She pled guilty to making a false statement and representation of a material fact, knowing it to be false, on the local's annual financial report (18 USC 1001). As a part of the plea agreement Bailey acknowledged responsibility for the entire \$98,802 loss and agreed to pay full restitution.

### **AFSCME Employee Pleads Guilty and Sentenced for Embezzlement**

Zona Albritton, former Manager of General Services for the American Federation of State, County and Municipal Employees (AFSCME), pled guilty to one count of

embezzling \$75,446 from the union between December 2003 and April 2004. Albritton was responsible for hiring contractors to paint and install carpeting in AFSCME's headquarters building in Washington, DC. Albritton hired contractors to complete the work, then submitted vouchers so the contractors were paid by AFSCME. In addition to these legitimate vouchers, Albritton submitted vouchers to AFSCME for the same work to be paid to a shell company she created and used for personal purposes. On June 26, 2008, Albritton was sentenced to one year and one day in prison, three years probation and ordered to make full restitution.

#### **Boilermakers Secretary/Treasurer Indicted**

An investigation by OLMS led to the indictment of Joseph Michael Johnson, former Secretary-Treasurer of Boilermakers Local Lodge 687 in Charleston, South Carolina. The investigation established that Johnson embezzled a total of \$102,519 from the local lodge between July 2004 and July 2006. Johnson employed several schemes in converting lodge funds to his personal use. First, he wrote 118 checks to seven lodge members who served as apprenticeship and training instructors for work that was never performed. Johnson signed the checks and used a signature stamp as a second signature; he then endorsed and deposited the checks into his own personal account. Second, Johnson took cash contributions from the union's Good Cheer Fund -- monies from that fund were supposed to be used for sick or distressed members and their families. Third, Johnson wrote an additional 20 checks to various vendors for personal purchases and caused the local to incur overdraft and non-sufficient fund charges. Johnson was indicted on one count of embezzling \$102,519 on September 10, 2008.

#### **Sindicato Obreros Unidos del Sur President Indicted**

An investigation by OLMS and the FBI led to the indictment and arrest of Jose L. Caraballo-Figueroa, President of Sindicato Obreros Unidos del Sur in Salinas, Puerto Rico. Caraballo was indicted on two counts of violating 29 USC 501(c). The first count was for embezzlement of union funds in excess of \$400,000 during the period December 2000 through December 2007. The embezzlement was carried out under the guise of medical reimbursements, payments for services rendered, and payments for meals and car expenses. The second count charged Caraballo with unlawfully and willfully converting \$49,500 to his own use by issuing a counter check from the union's account. Caraballo was indicted on August 13, 2008.

#### **OLMS Investigation Discloses False Statement on Union's Annual Report**

Brad Harper, former treasurer of AFGE Local 1629 in Battle Creek, Michigan, was indicted, convicted, and sentenced for making materially false statements on one of the local's annual financial reports filed with the Secretary of Labor. The OLMS investigation established that Harper made unauthorized ATM cash withdrawals and unauthorized personal charges on the union's credit card totaling \$75,069 over a five-year period. Harper pled guilty on August 9, 2007 and was sentenced on January 29, 2008. At sentencing, he received a 14-month prison sentence followed by 3 years of supervised release. He was also ordered to make full restitution to the union.

#### **Teamster Local 19 Substitution Scheme Leads to Conviction and Sentencing**

Heather Lott, the former bookkeeper of the International Brotherhood of Teamsters Local 19 in Houston, Texas, embezzled

\$140,952 by writing 96 unauthorized checks to herself and concealing her actions by entering a fictitious payee in the union's financial database. When the cancelled checks were sent to the local union as part of the monthly bank statement, Lott discarded the checks to prevent detection. As a result of her guilty plea to embezzlement of \$140,000, Lott was sentenced to 18 months in federal prison, ordered to pay restitution of \$140,952 and serve three years of supervised release upon completion of her prison term. This conviction was the result of a joint investigation with the Department of Labor's Office of Inspector General.

#### **Former Transit Union President and Wife Arrested**

Bobby Williams, former president of Transit Union, AFL-CIO Local Division 1635, and Janice Williams, his wife, were arrested on June 19, 2008, after being indicted on twenty counts of forgery by a grand jury in Dallas, Texas. The couple, the indictment states, obtained \$23,230 in union funds by forging the signature of the union's former secretary-treasurer on union checks over a period of fourteen months. The couple posted a \$1,500 bond and are currently awaiting trial.

#### **Indictment and Guilty Plea for Theft of \$170,000 from NALC Local**

Following an OLMS investigation and a 2007 indictment, Graham Paul Vance, former president of National Association of Letter Carriers Local 1280 and an officer for 10 years, plead guilty to embezzling more than \$170,000. Vane used 12 union credit cards for non-union-related charges and used union funds to pay his personal credit card charges. Vane was sentenced to 15 months in prison for embezzlement and making false statements to the Department of Labor. He was ordered to pay \$150,000 restitution and a \$500 special assessment. Vane will be placed on supervised release for three years following his incarceration.

#### **Steelworkers Union to Receive Full Restitution of Stolen Funds**

An OLMS criminal investigation established that from February 26, 2003 to December 16, 2004, former Office Secretary/Financial Secretary Deborah Anthony of Steelworkers Local 1196 in Brackenridge, Pennsylvania, converted union funds totaling \$34,134.47 to her own use. In addition to writing unauthorized checks to herself, Anthony wrote unauthorized checks to third party vendors with names similar to or the same as legitimate local union vendors to pay her personal bills. On March 14, 2008, Anthony pled guilty to one count of embezzling union funds totaling \$1,245.45. Anthony was sentenced on July 22, 2008 to five years probation, ordered to serve one year home detention and pay full restitution.

#### **Embezzlement of Over \$145,000 Found in Graphic Communications Local**

Following an investigation by OLMS and the Department of Labor Office of Inspector General, Betty Illig, former secretary-treasurer for Graphic Communications Worker Local 638-S and the Tri-State District Joint Council, located in East Liverpool, Ohio plead guilty to embezzling \$145, 675 in union funds from the two labor organizations and submitting false Form LM-3 Reports. The investigation disclosed that Illig paid herself salary, rent payments for a home office, expenses for union business allegedly conducted in her home, and lost time expenses that were not authorized by the union. In order to convert this money to her own use, Illig used the local president's signature stamp to sign the improper checks. Illig was sentenced to one year home confinement with electronic monitoring followed by four years probation, 200 hours of community service, and a \$200 special assessment. She was also ordered to make full restitution to the union.

## Financial Reporting and Recordkeeping

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### Division of International Union Audits

The Division of International Union Audits (DIUA), established by OLMS in 2004, has completed its fourth full year conducting the International Compliance Audit Program (I-CAP).

During FY 2008, unions completed their third fiscal year under the Department's revised recordkeeping and reporting requirements, submitting their annual financial disclosure forms (Form LM-2s) using electronic filing software. Of the seven audits and three follow-up audits DIUA and field offices conducted in FY 2008, six were of unions that had submitted their Form LM-2 electronically. One union was not required to file electronically since it files Form LM-3. DIUA also began work on two additional audits and two follow-up audits that will be completed in FY 2009.

DIUA continues to focus predominately on international unions with no prior audit history and plans to complete seven audits and seven follow-up audits in FY 2009.

The audit findings are provided to the unions in closing letters, which are later posted on the OLMS Web site, [www.olms.dol.gov](http://www.olms.dol.gov). For serious deficiencies and violations that have not been corrected by the union at the time of the exit interview, DIUA conducts follow-up audits to review LMRDA compliance, discuss the corrective actions the union has taken to resolve deficiencies, and continue cooperative efforts to assist the union in coming into compliance.

During the FY 2008 audits and follow-up audits, DIUA staff identified a total of 146 violations of the LMRDA and instances of inadequate internal controls:

- 64 involved reporting deficiencies.
- 31 concerned inadequate record-keeping violations.
- 34 related to inadequate internal controls.
- 7 included fiduciary responsibility, bonding, and office-holding prohibitions.

### Compliance Assistance

For the past year, OLMS has undertaken a comprehensive compliance assistance program:

- OLMS continued its program of structured, nationwide compliance assistance seminars. The goal of this program is to provide an opportunity each year for the officers of every labor organization to attend a compliance assistance seminar. The content of each year's compliance assistance seminar is similar throughout the country so that every officer in attendance is exposed to the same material. OLMS conducted 112 seminars in FY 2008.
- OLMS posted extensive Frequently Asked Questions (FAQs) on the revised Form LM-30 on its web site. OLMS presented a revised Form LM-30 training session in the DOL auditorium on October 9, 2008.
- OLMS continues to promote and use an electronic mailing list system to send email messages to unions, accountants, union members, and other interested individuals. The electronic mailing list has 2,445 subscribers and OLMS sent 16 such messages FY 2008.

- OLMS created a Spanish language page on its web site that describes the agency and its mission and links to Spanish language compliance assistance materials.
- OLMS updated an on-line guide to help labor organizations apply digital signatures to their electronic annual financial disclosure forms and to troubleshoot common digital signature issues.
- OLMS introduced a toll-free number for its Electronic Filing Help Desk.
- OLMS posted a fact sheet on Observer Rights and Responsibilities in Elections of Union Officers on its web site.
- OLMS posted public and private sector collective bargaining agreements on its web site.

#### **Union Advisory Services Program**

OLMS continued a program of union advisory services initiated in FY 2007 to provide enhanced advisory support and

compliance assistance to labor organizations. A primary function of the program is to review union constitutions and bylaws to determine if any provisions may conflict, or be applied to conflict, with the law and to advise unions of any changes needed to bring those provisions into compliance with the law. In FY 2008 OLMS completed 82 reviews and mailed 56 constitution review letters to unions.

Under the union advisory services program, OLMS also reviewed union compliance with Form LM-1, Labor Organization Information Report requirements. If a union's constitution and bylaws do not fully explain the union's policy and procedures on specified matters, this information must be detailed on a Form LM-1 report. Matters that must be reported include how assessments are imposed on members, procedure for authorizing disbursement of union funds, how contracts are ratified, and how strikes are authorized. In FY 2008, the agency prepared 82 letters to unions seeking new or amended Form LM-1 reports.

## Union Democracy

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The LMRDA establishes democratic standards for conducting union officer elections, such as the frequency and method of election, the right of members in good standing to be candidates, rights of candidates, and voting rights of members. OLMS will conduct an investigation upon receiving a timely filed complaint from a union member alleging that the LMRDA has been violated. If the investigation determines that the election provisions have been violated, OLMS may negotiate a voluntary agreement to have the union rerun the election under OLMS supervision or OLMS may take legal action seeking a new election. When warranted, OLMS investigates criminal violations associated with elections including ballot fraud, false statements, and deprivation of rights under the Act by violence. Following are highlights of some of the most significant OLMS election cases during FY 2008.

### **OLMS Successful in Lawsuits filed on Consecutive Elections Conducted by ILWA Local 10**

Longshore and Warehouse Workers Union (ILWU) Local 10 represents about 1,000 members who work as longshoremen in ports around the San Francisco Bay Area and holds annual elections of officers.

On October 24, 2007, OLMS prevailed in a lawsuit filed against ILWU Local 10 over the union's 2005 election of officers. OLMS filed the lawsuit after it was determined that ILWU Local 10 denied a candidate the opportunity to run for office when the local union required candidates to "clear their books" before nominations even though that requirement did not appear in the union's constitution, bylaws, or rules.

Subsequently, the union held its 2006 election of union officers, which OLMS determined suffered from a similar violation of the law. This time the union applied a good-standing requirement as if it required continuous good standing even though the constitutional language was not clear as to what was required. A second lawsuit was filed. On December 7, 2007, the union and OLMS settled the lawsuit over the 2006 election.

Local 10 attempted to prevent OLMS from supervising the 2007 election, which was already underway at the time the court issued its ruling. However, the court ordered that the election could proceed only under OLMS supervision. The remedial election supervised by OLMS resolved both lawsuits and included the positions of vice-president, business agents, trustees, executive board members, and delegates. The election was completed in February 2008.

### **Election of 32,000 Member Local in Los Angeles Supervised by OLMS**

American Federation of Television and Radio Artists, Los Angeles Local (AFTRA LA), located in Los Angeles, California, is a labor union representing performers, journalists and other artists, with over 32,000 members. AFTRA LA members perform on public and cable television, on radio, and in sound recording studios. OLMS determined that the union failed to properly tally the ballots in its May 22, 2007 challenged election and did not provide sufficient notice of the election to 354 members. On December 14, 2007, OLMS and AFTRA LA entered into a voluntary settlement. The settlement agreement provided that the union would conduct a new election, under OLMS supervision, for nine positions on the Los Angeles Board of



Directors - Actor category, and thirteen positions on the AFTRA National Board of Directors - Los Angeles Local Representatives. The supervised election was completed April 15, 2008.

**OLMS Supervised Election of District 14 National Vice President for American Federation of Government Employees**

OLMS filed suit in U.S. District Court for the District of Columbia seeking to overturn the 2005 election conducted by the American Federation of Government Employees (AFGE) for the office of District 14 Vice President. On March 1, 2007, to settle the lawsuit, OLMS and AFGE entered into a court-approved settlement whereby OLMS would first either certify or supervise elections of delegates in 68 local unions and then supervise the election of the District 14 Vice President by those delegates at the District 14 Caucus on May 17, 2008.

OLMS supervised all aspects of these elections, including nominations, mailing of ballots or onsite voting, and the ballot tally. AFGE District 14 encompasses 68 local unions that represent approximately 14,800 members employed by the U.S. Government and the District of Columbia Government in the Washington, DC area.

**American Postal Workers Union Local 732 reached a Settlement Agreement with OLMS**

OLMS filed a lawsuit against American Postal Workers Union, AFL-CIO Local 732 in Dallas, Texas, on January 4, 2008, when an OLMS investigation revealed that the candidates on the incumbent slate used a different and more accurate mailing list to mail their campaign literature than the list provided to their opponents. On April 15, 2008, the lawsuit resulted in a court-approved settlement agreement for a remedial election under OLMS supervision.

The agreement included a new election and nominations, as necessary, for the positions of president, executive vice president, sergeant-at-arms, one trustee, director-human resources, clerk craft assistant director, clerk craft business agent #4, clerk craft delegates (14 of the 29 positions), maintenance craft business agent #2, maintenance craft delegates (4 of the 6 positions), and motor vehicle service craft delegates (2 of the 3 positions). The union represents over 3,800 members employed by the United States Postal Service in Dallas, Texas. The supervised election was completed on July 19, 2008.

**OLMS Supervised SEIU Local 1107 November 2008 Election**

OLMS negotiated a voluntary settlement agreement with the Service Employees International Union (SEIU) Local 1107 in Las Vegas, Nevada after investigating four complaints challenging the union's election of officers conducted on September 4 and 5, 2007. The investigation disclosed that some candidates were not given equal access to union steward lists that some candidates used to make campaign phone calls; employer resources were used to collect contributions donated to a slate's campaign fund; and employer funds were used in preparing and mailing campaign literature.

Local 1107 agreed to conduct a new election under OLMS supervision for the positions of president, executive vice president, secretary, three trustee positions, vice president for the City of Las Vegas Housing Authority, chief steward for the City of Las Vegas Housing Authority, nursing chief steward for St. Rose San Martin, and vice president for Sunrise Hospital. The remedial supervised election of the 10,000-member local union was completed in November, 2008.

## Regulatory Activities

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### **Changes to the Form LM-2 and Form LM-3**

On December 5, 2008, OLMS submitted to the Office of Management and Budget, for formal review, a final rule revising the Form LM-2. The Form LM-2 is used by the largest labor organizations to file their annual financial reports. The rule will provide additional information on Schedules 3 (sale of investments and fixed assets), 4 (purchase of investments and fixed assets), 11 (all officers and disbursements to officers) and 12 (disbursements to employees), add itemization schedules to specified categories of receipts, and establish a procedure by which OLMS may revoke a union's privilege to file the simplified annual report, Form LM-3, where appropriate, after investigation, notice, and opportunity for a hearing.

### **Form T-1 Trust Annual Report**

On October 2, 2008, OLMS published a Final Rule implementing the Form T-1, Trust Annual Report. The Form T-1 is an annual financial disclosure report filed by labor unions about certain "trusts" in which they are interested. These trusts include, for example, building and redevelopment corporations, educational institutes, credit unions, labor union and employer joint funds, and job targeting funds.

Labor unions will use the Form T-1 to disclose financial information about the trust, such as assets, liabilities, receipts and disbursements.

The Form T-1 final rule will take effect on January 1, 2009. The fiscal year of both the labor union and its trust must therefore begin on or after January 1, 2009 for a Form T-1 report to be owed. The Form T-1 covers the trust's most recently completed fiscal year, that is, the fiscal year ending on or before the closing date of the labor union's fiscal year.