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AFL-CIO questions rival group's finances

A 'smear campaign,' group counters

By Paul Wilson

Business Editor

West Virginia's chapter of the Associated Builders & Contractors is one of 19 that illegally received money intended for apprenticeship programs, according to a report released by a union group.

The AFL-CIO examined several years of tax returns for ABC, a merit shop organization often at odds with union groups. The AFL-CIO reported that ABC illegally failed to disclose transactions between apprenticeship trusts and local chapters and that ABC's apprenticeship trusts paid more for chapter services than they were worth.

"What they're saying here is that West Virginia and other chapters were using the education trust fund to pay for other operations," said Steve White, director of the state Affiliated Construction Trades Foundation.

The AFL-CIO sent its findings to the Internal Revenue Service and the U.S. Labor Department calling for an investigation and any appropriate "legal action against the ABC chapters and trusts, their staff and board members, and any relevant member contractors."

ABC leaders, in a statement, called the report a "smear campaign" to divert attention from dwindling membership and recent misconduct by some union leaders.

"[I]t is imperative that the [AFL-CIO's Building and Construction Trades Department] stop squandering its members' resources on misguided crusades to discredit merit shop training programs," ABC President and Chief Executive Officer M. Kirk Pickerel said in a statement.

Tax-exempt organizations must disclose payments to officers, key staff members and board members. Payments for professional services exceeding \$50,000 must be disclosed, and the provider of a service cannot be overpaid.

West Virginia's ABC trust fund paid the ABC chapter \$112,568 in fees for shared office space in 1997-98. But between 1999-2002, the trust paid \$146,680 in administrative fees to an undisclosed party, according to the AFL-CIO.

"[S]ince the Trust admitted paying money to the Chapter for shared office and staff, even while it failed to state how much was paid, this additional money was likely paid to the Chapter," according to the report.

If that happened, the trust paid \$259,248, or 63 percent, of the trust's total cash to the chapter between 1997 and 2002, according to the report.

"The Trust justified the payments, in part, on the grounds that the Chapter's executive director worked 20 hours a week for the Trust," according to the report. "However, the Chapter never reported receiving the money and the ABC apprenticeship program enrolled only 27 apprentices between 1990 and 1999."

The chapter also listed no "income from management fees or administrative services." However, it received about \$37,000 in both 2000 and 2001 from the trust for "management fees," according to the AFL-CIO. The chapter said it got \$36,000 in both years for "consulting fees" that are "provided to members in new areas or with complicated projects," but not for training apprentices as was intended, according to the report.

The AFL-CIO also reported that the trust made payments itemized as "dues to national" of about \$14,000 in 1997 and 1998. "The national most obviously related to the Trust is the National ABC, but it would be illegal for the Trust to make dues payments on behalf of the Chapter," according to the report.

ABC officials said the AFL-CIO is trying to deflect attention from its own problems. A June report from the U.S. Senate Committee on Government Affairs found that heads of several unions failed in their oversight duties of a union-pension-owned insurance company.

And early last month, the U.S. Department of Labor removed the Plumbers and Pipefitters' National Pension Fund trustees and required them to pay \$10.98 million in restitution and penalties for financial mismanagement.

Whatever the troubles of the AFL-CIO's membership, ABC's West Virginia chapter has had recent problems. Last month, state Development Office officials said they would try to recover nearly \$15,000 of a \$120,000 training grant.

A 2003 review of the grant found the grant money was not spent during its intended period and that the ABC lacked several kinds of documentation and a procedure to ensure training applicants met eligibility requirements, among other things.

Auditors from the U.S. Department of Labor are investigating that grant and at least \$20,000 more the state gave the ABC for training in recent years. Last spring, Development Office officials asked for federal assistance after ABC officials didn't respond to queries prompted by questions raised by the ACT Foundation's White.

The federal auditors are still working, and ABC officials have become more responsive, Development Office officials have said.

A message left for the office manager of ABC's West Virginia chapter was not returned last week. ABC officials in West Virginia have previously declined comment on questions about training grants.

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