

INTERNATIONAL BROTHERHOOD OF TEAMSTERS

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NOTICE

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To: Officers and Members of Local Union 118

From: James P. Hoffa, General President

Local Union 118 was previously in trusteeship for, among other reasons, financial improprieties involving the use of credit cards, in town meals and excessive out of town travel expenses. That trusteeship followed the filing of internal union charges by or against a majority of the then-officers and a finding they had engaged in so many improper financial transactions that it was impossible to catalogue them all. Several of the current officers were involved in those inappropriate transactions and subjected to fines as partial repayment. Following the trusteeship, policies were implemented intended to prevent such misconduct and misuse of Union funds from occurring in the future. Nonetheless, in audits conducted by the International Union beginning in 2019, which were interrupted by virtue of the travel restrictions required by the COVID pandemic and have been resumed recently and are ongoing, it is apparent that the previously identified misconduct has resumed and is continuing.

Accordingly, given the history of this Local and some of the current officers and the failure of past efforts to counsel them and implement appropriate policies to ensure compliance with fiduciary standards and rules, it is entirely likely that the officers will continue to misuse Local 118 funds on virtually a daily basis as long as they have access to those resources. Thus, to prevent further damage to the Local Union's finances that is likely to occur during the time required to schedule a hearing

to review documented improprieties, I have determined that it is necessary for me to exercise the authority vested in this office by Article VI, Section 5 of the International Constitution and impose a trusteeship over the affairs of Local 118 on an emergency basis. Among the reasons I am taking this action are the following:

1. Officers and agents have extended their stays for out-of-town meetings, have stayed at hotels other than those at which the meetings were conducted or stayed in rooms exceeding the negotiated conference rates, and rented multiple high price vehicles that were not necessary for the performance of Union business. The alternate hotels used by the Local were usually part of the Hilton family, a chain from which Chris Toole accumulated personal travel benefits. Reservations at hotels for other officials of Local 118 were frequently made in Toole's name so that benefits could be allocated to his personal account. Similar billing transactions occurred regarding Toole's airline frequent flyer programs to benefit him, rather than the Local or even other officers.

The 2020 Brewery Conference was held at the Westin Resort in Ft. Lauderdale where the daily room rate was \$299.00. The Local 118 delegates stayed in a Hilton where Toole's room rate was \$508.14; Paul Markwitz stayed in a room with a rate of \$526.20 or \$409.00; and Dave Weilert rented a room at \$408.80 All of the rooms used Toole's Hilton rewards number and were charged to Toole's credit card, permitting him to accrue reward points from both Hilton and the credit card company. While all three officials arrived at the Ft. Lauderdale airport on the same day, it appears that two vehicles were rented for their transit to the hotel and driven a small number of miles. The third attendee submitted a receipt for a taxi from the airport to the hotel at a greatly reduced cost to the Local.

The Local sent four officials to the 2021 Eastern Region Joint Area Grievance Committee in Myrtle Beach, South Carolina, three of whom rented cars. The group room rate was \$280.00, but the rates paid by the Local 118 attendees ranged between \$280.00 and \$503.50. As this was a Hilton property, Toole accrued points for his and Markwitz's rooms. While three officers left Myrtle Beach not later than July 22, Toole remained until July 24, without any explanation. It has been reported that Local 118 did not have any cases on the docket to be presented to the grievance panel.

Ty Van Pelt attended the 2021 Brewery Conference meeting in Chicago, but the Local was charged \$322.42 for his room instead of the conference rate of \$149.00.

These are simply a few examples culled from many other excessive lodging vouchers disclosed during the course of the audit.

In addition to the cost of lodging, luxury cars were routinely rented at extraordinary rates and driven minimal miles. In some instances, the car was returned without a full tank of gas subjecting the Local to excessive refueling charges.

There are no official records that reflect any explanation or justification for these excessive expenditures or required approval thereof.

While the Local purported to establish a per diem policy for travel in 2019 based on amounts that varied by the location of the meeting, there is no record that per diem amounts have ever been established for any trip, by the Executive Board or any authorized officer. At the same time, a policy was established to avoid use of rental vehicles unless it was cost effective to do so. There is no indication that the cost effectiveness of a car rental was considered for any trip and as indicated, luxury cars were routinely rented at extravagant rates without any stated justification and in situations in which much less expensive means of transportation were available.

2. The Local spent extraordinary amounts of Local Union funds for entertainment during the 2021 International Convention, which was held on June 21-24. Local 118 was entitled to six (6) delegates and two (2) alternates. As everyone is aware, the Convention was conducted remotely. Thus, the delegates were not required to travel out of town to attend the sessions. It has been reported that the Local 118 delegates watched and participated in the Convention at the Local Union hall. The Local rented a suite from Rochester Community Baseball for \$1,200.00 and incurred additional charges in excess of \$1,600.00 for food and beverages for the delegates and members of the Local staff and families. During the Convention, the Local provided lunch for delegates and guests in the amounts of \$143.94, \$458.04 and \$200.09. Pre-dinner drinks were provided on June 22 in the amount of \$195.00 followed by dinner for \$1684.56. Another bill was paid for appetizers and drinks on the same date for \$566.93 (eight individuals identified in attendance and forty drinks consumed). On June 24, dinner was provided at the cost of \$1,685.58.

Generous tips were added to the June 22 and 24 dinner bills, despite tips and service charges being included in the checks. Most of the bills did not indicate the names of those in attendance or distinguish between the number of delegates, alternates, and guests. The Local subsequently provided the names of nine individuals in attendance at the June 22 dinner that, if accurate, reflects a per person cost of over \$208.00.

3. Additional expenditures for in-town “meals” were not specifically authorized and included excessive amounts of alcohol and minimal food. The types of expenditures were of the same nature as those leading to the earlier trusteeship and internal charges for breach of the fiduciary duty. Meals have been purchased for random members in area restaurants for no apparent legitimate reason, many in the evenings or on weekends. The officers gather at area breweries and occasionally include meals for members and their families, again with no explanation why the officers were eating and drinking at the members’ expense or why those in attendance decided to pay for the meals of random members and their families. There are many expenses that have been paid without any receipts, or without adequate identification of union purpose. Moreover, information has been received that suggests that the number and identity of participants at meals are not accurate and intended to cover the costs of spouses or guests. These problems are the same as those identified years ago that resulted in the internal charges, fines and trusteeship referred to earlier. It appears that the officers have learned nothing from their past experiences and their behavior has not been modified by the discipline and trusteeship previously imposed.
4. The Local’s Executive Board and Membership Meeting minutes fail to reflect that votes were taken to approve motions, although it is presumed the motions were passed. Additionally, many accounts of actions combine two or more issues, making it impossible to verify that any specific expenditure or action was presented for a vote and approved. Motions regarding the financing of the building extension are particularly deficient and lack detail.
5. The Local’s credit card and travel policies have been manipulated to benefit Toole. Travel arrangements for transportation for other Union officials and staff are frequently made on Toole’s credit card, as are room reservations. The Local revised its policy to permit points and other reimbursements given to credit card holders to be retained by the individual whose card is used, even for purchases of goods and services for the Local. Thus, the potential benefits

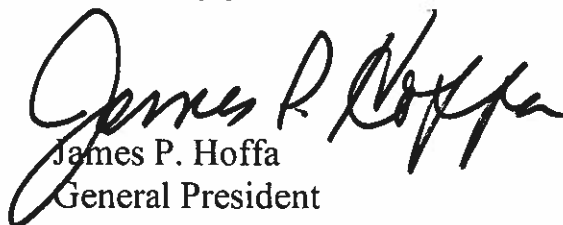
that could be used by the Local to reduce the cost of future purchases have instead been obtained by the individual cardholder.

6. The Local has failed to allocate reimbursed travel expenses to the individual officers or employees and has failed to report accurately those items on the LM-2. Individuals receiving reimbursement have routinely failed to indicate the purpose for which the expense was incurred or identify the Union purpose. In some instances, individuals receiving per diem also charged expenses that should have been covered by the per diem to hotel rooms paid for by the Local. The Local has also failed to tax per diem payments or include those amounts in the individual's year end W-2 forms.

These examples of fiduciary breaches constitute a small sample of the questionable expenditures identified by International Auditors. The current audit is still in progress. Given the amount of time and effort it would take to investigate each of these expenditures and the likelihood that the spending patterns would continue in the interim based on the past behavior of some of the officers, I have decided to impose a trusteeship on an emergency basis in order to best protect the Local Union and its members. Accordingly, I have appointed Michael McElmury to serve as the Trustee, effective immediately. In accordance with the International Constitution, you will receive notice of a time and location of a hearing to determine whether the emergency trusteeship should be extended or dissolved.

I urge all members of Local 118 to cooperate with the efforts of the Trustee to investigate these matters and provide the representation to which you are entitled.

Fraternally yours,


James P. Hoffa
General President

JPH/gwb