

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
New Haven Resident Investigative Office
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July 15, 2008

Mr. James Fadden, President
Painters AFL-CIO
Local 1122
597 Broad Street
New London, CT 06320

Re: Case Number: [REDACTED]
LM #: 009-864

Dear Mr. Fadden:

This office has recently completed an audit of Painters Local 1122 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 Business Manager Mark Verity on July 3, 2008, 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.

Reporting Violations

The audit disclosed a violation 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 1122 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Disbursements to Officers

Local 1122 did not include some reimbursements to officers totaling at least \$884.00 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54, Other Disbursements.

The union must report most direct disbursements to Local 1122 officers and some indirect disbursements made on behalf of its officers in Item 24.

A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 1122 amended its constitution and bylaws in 2005, but did not file a copy with its LM report for that year.

Local 1122 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 1122 file an amended LM report for 2007 to correct the deficient items, but Local 1122 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

Use of Signature Stamp

During the audit, OLMS was advised that occasionally Local 1122 uses a signature stamp for the signature of President Fadden on union checks. President Fadden indicated that the stamp is maintained in a locked safe and is only used when he is unavailable to review and sign a check before it is issued. The second 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, the use by the primary signer of a signature stamp for the second signature does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the countersignature requirement. I recommend that Local 1122 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Painters Local 1122 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,



Supervisory Investigator

cc: Charles Boughton, Treasurer
Mark Verity, Business Manager