



September 30, 2022

Mr. David Jerkins, Treasurer  
Stage and Picture Operators Local 78  
1901 10th Street South, Suite 114  
Birmingham, AL 35205-2601

Case Number: 410-6023731( )  
LM Number: 032919

Dear Mr. Jerkins:

This office has recently completed an audit of Stage and Picture Operators Local 78 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, President Adam Stermer and Secretary Dennis Parker on September 23, 2022, 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 78's 2021 records revealed the following recordkeeping violations:

- 1) Local 78 failed to maintain supporting documentation for reimbursements to officers for liability insurance. Local 78 paid \$100 to all eight executive board officers reimbursing them for their purchases of Labor Leader (Liability) insurance. Local 78's records

included a rider listing the officers of the executive board, this rider was provided by the insurance broker. However, the local failed to retain proof the individuals made these payments prior to being reimbursed by the local. In addition, the president, secretary and treasurer all receive a quarterly allowance to cover expenses incurred during the conduct of union business.

Local 78 must obtain individual proof of payment in either the form of a redacted cancelled check or vendor paid in full receipts from each officer prior to reimbursing them for this expenditure.

Based on your assurance that Local 78 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

#### 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 78 for the fiscal year ended December 31, 2021, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Local 78 did not include some reimbursements to officers totaling at least \$800 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expenses).

- 1) Local 78 failed to report reimbursements to each officer of the executive board for individual labor leader insurance. Each officer of the Local 78 executive board was reimbursed \$100 for their purchase of this insurance. However, this reimbursement was not reported in item 24, (All Officers and Disbursements to Officers).
- 2) Local 78 records show that Local 78 withheld payroll taxes from at least three officers, the president, treasurer, and secretary. However, these taxes were not reported in item 24 of the LM-3 Report.

The union must report most direct disbursements to Local 78 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 78 amended its constitution and bylaws in 2019 but did not file a copy with its LM report for that year.

Local 78 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 78 file an amended LM-3 report for 2021 to correct the deficient items, but Local 78 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violations

1. Inadequate Bonding

The audit revealed that Local 78's officers and employees were not bonded for the minimum amount required at the time of the audit. In item 20 of its 2021 LM-3 Report, Local 78 reported bonding coverage of \$25,000. OLMS found documentation for a coverage amount of \$15,000. OLMS calculated that the minimum bonding required was over \$16,000. Local 78 updated its bonding coverage to \$17,500 and supplied a copy of its new bonding certificate.

As a result, OLMS will take no further enforcement action regarding this issue.

I want to extend my personal appreciation to Stage and Picture Operators Local 78 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