



March 24, 2023

Mr. Eric Norberg, President
Stage and Picture Operators Local 796
P.O. Box 70826
Houston, TX 77270

Case Number: 420-6025270()
LM Number: 543741

Dear Mr. Norberg:

This office has recently completed an audit of Stage and Picture Operators Local 796 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 Acting President Kevin Allen and Secretary-Treasurer Susan Goree on March 24, 2023, 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 796's 2021 records revealed the following recordkeeping violations:

1) Meal Expenses

Local 796 did not require officers to submit itemized receipts for all meal expenses totaling at least \$78. The union must maintain itemized receipts provided by restaurants

to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

The OLMS Compliance Tip, *Union Credit Card Policy*, will provide further guidance on this matter.

- 2) All disbursements did not have supporting documentation to indicate union purpose.

Local 796 did not retain adequate supporting documentation for reimbursed travel expenses totaling at least \$700, as no descriptive receipts were attached to the expense voucher. Labor organizations must retain original itemized receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

The OLMS Compliance Tip, *Reimbursed Travel Expense Payments*, will provide further guidance on this matter.

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

- 1) All Officers not reported on LM-3 Report

Local 796 did not report the names of some officers in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

- 2) Disbursements to Officers (LM-3)

Local 796 did not include some expense reimbursements to officers totaling at least \$978 in the amounts reported in Item 24 (All Officers and Disbursements to Officers).

The union must report most direct disbursements to Local 796 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).

The Compliance Tip, *Reporting Officers and Payments to Them on Form LM-3*, will provide further guidance on this matter.

3) Fixed Assets

Local 796 did not properly report the purchase of a cellular phone in Item 52 (Purchase of Investments/Fixed Assets) on the LM-3 Report. Local 796 also did not properly report its fixed assets: 250G hard drive, file cabinet, and telephone system, in Item 29 (Fixed Assets) on the LM-3 Report.

The LM-3 instructions require that the book value at the start and end of the reporting period of all fixed assets, such as land, buildings, automobiles, and office furniture and equipment owned by your organization is entered in Columns (A) and (B). The book value of fixed assets is cost less depreciation.

4) Bond Coverage

The bond coverage amount on the LM-3 Report was incorrectly reported as \$10,000. During the audit, review of the bond certificate indicates that Local 796's bond coverage amount is \$20,000.

The Compliance Tip, *Form LM-3 Common Reporting Errors*, will provide further guidance on this matter.

Other Issues

1) Union Checks Signed by One Officer

Secretary-Treasurer Susan Goree is the only signatory on Local 796's union checks. Article VII, Section 3 of the union's bylaws require that all checks be signed by the president and treasurer.

OLMS recommends that your local review these procedures to improve internal control of union funds by requiring that all checks drawn on the union's bank account have a second signature and ensure that the cosigner fully understands that his/her fiduciary responsibilities require that the checks be signed only after they are completely filled out and the cosigner knows the purpose and legitimacy of each transaction.

The Compliance Tip, *Internal Financial Controls*, will provide further guidance on this matter.

Based on your assurance that Local 796 will retain adequate documentation and correct LM reporting items in the future, OLMS will take no further enforcement action at this time

regarding the above violations.

I want to extend my personal appreciation to Stage and Picture Operators Local 796 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

cc: Ms. Susan Goree, Secretary-Treasurer
Mr. Kevin Allen, Acting President