

U.S. Department of Labor

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Office of Labor-Management Standards
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January 27, 2010

Mr. Joseph Inemer, President
Graphic Communications, IBT
Local 16
1310-28 E. Sedgley Avenue
Philadelphia, PA 19134

LM File Number 009-208
Case Number: [REDACTED]

Dear Mr. Inemer:

This office has recently completed an audit of Graphic Communications Workers, IBT, Local 16, 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 Office Manager Maureen Schindle and you on January 12, 2010, 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 16's 2008 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 16 did not retain adequate documentation for credit card expenses incurred by you totaling at least \$2,826.88. For example, on May 12, 2008 the union spent \$550 at Benny the Bums Restaurant in Philadelphia, PA. Although you informed me that this expense was incurred during contract negotiations with Delaware County Times, the union failed to maintain any supporting documentation regarding this expense.

As previously noted above, labor organizations must retain original 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.

2. Meal Expenses

Local 16 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$706.41. 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.

Local 16 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the

restaurant charges. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Disposition of Property

Local 16 did not maintain an inventory of t-shirts it sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28.

The local spent approximately \$3,000 for union logo t-shirts, yet the local's records revealed only one deposit of \$300 for t-shirt sales. During the audit, you stated that the vast majority of t-shirts were given away. The union must record in at least one record the date and amount received from *each* sale of union hats, jackets, t-shirts or other items.

4. Lack of Union Officer Expense Authorization

Local 16 did not maintain records to verify that the expenses reported in Schedule 11 (All Officers and Disbursements to Officers) of the LM-2 was the authorized amount. For example, you stated during the audit that you were entitled an expense allowance of \$60 per week. The union failed to maintain a record, such as meeting minutes, to show the current salary and or expenses authorized by the entity or individual in the union with the authority to establish salaries and or union officer and employee expenses.

Based on your assurance that Local 16 will relay these requirements to maintain adequate documentation to Graphic Communications Workers, IBT District Council 9 officers, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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-2) filed by Local 16 for fiscal year ending December 31, 2008, was deficient in that:

Disbursements to Officers and Employees (LM-2)

Local 16 did not include payments to officers and employees totaling approximately \$1,200 in Schedule 11 (All Officers and Disbursements to Officers). For example, it appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

I am not requiring that Local 16 to file an amended LM report for 2008 to correct the deficient item. Local 16 has agreed to communicate to District Council 9 officers the reporting violation stated above in order assist District Council 9 in filing accurate reports with OLMS in the future.

Other Issue

Pre-signing Checks

During the audit, you advised that Local 16's officers would occasionally pre-sign checks in the event of an absence of another signatory. The two signature requirement that Local 16 has in place is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, pre-signing checks does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 16 review these procedures to improve internal control of union funds.

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I want to extend my personal appreciation to Graphic Communications Workers, IBT, Local 16 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: John Potts, District Council 9 President
Kurt Freeman, District Council 9 Secretary- Treasurer