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March 25, 2011

Robert S. Miller, Secretary-Treasurer
Graphic Communications District Council #4
455 Kehoe Blvd
Suite 102
Carol Stream, IL 60188-5203

Case Number: 310-23338 [REDACTED]
LM Number: 543-759

Dear Robert Miller:

This office has recently completed an audit of Graphic Communications District Council 4 (District Council 4) 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 Paul Mancillas, Business Representative William Kaucher, and Attorney Tom Allison on March 7, 2011, 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-2 filed by District Council 4 for fiscal year ending December 31, 2009, was deficient in the following areas:

1. Disbursements to Officers

District Council 4 did not include some reimbursements to officers and employees totaling at least \$25,000 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 18 (General Overhead) and Schedule 19 (Union Administration).

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.

2. Allocation of Union Time

District Council 4 failed to properly allocate the percentage of time spent by its union officers and employees in Line I of Schedules 11 and 12 to one of the five available categories: Schedule 15 - Representational Activities, Schedule 16 - Political Activities and Lobbying, Schedule 17 - Contributions, Gifts, & Grants, Schedule 18 - General Overhead, and Schedule 19 - Union Administration. In its LM-2 filing for fiscal year ending December 31, 2009, the union reported in Line I of Schedules 11 and 12 that all of its officers and employees spent 100% of their time working on activities involving Union Administration (Schedule 19). However, during the audit, OLMS reviewed the union's records and found that a number of District Council 4 officers and employees spent a significant amount of time working on activities involving - Representational Activities (Schedule 15). During the exit interview, the union acknowledged that its 2009 reporting in this regard was inaccurate and did not represent a best estimated allocation of how its officers and employees spent their time working on activities corresponding to the five available categories as defined in the LM-2 instructions.

The LM-2 instructions direct the union to enter estimated percentage of time spent by officers and employees on activities that fall within Schedule 15 through 19 in the box next to that schedule in Line I of Schedules 11 and 12. The union may round to the nearest 10%. When the time reported by an individual in an activity is less than 5% of his or her total work time, the officer's best estimate to the nearest percentage should be reported rather than round to zero. The total must equal 100%. It is understood that these figures may be imprecise but are expected to be based on a good-faith estimate.

3. Automobile Expenses

District Council 4 did not include in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers) disbursements for the operation and maintenance of union automobiles totaling at least \$3,000.

The LM-2 instructions provide two methods for reporting automobile-related expenses. The union must report in Schedules 11 and 12 direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance). The union may divide the expenses and report them in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use.

Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer or employee in Column F of Schedule 11 or 12 with an explanation in Item 69 (Additional Information) that

the officer or employee used the vehicle part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50 percent of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the officer or employee used the vehicle partly for official business.

4. Certificates of Deposit Reported As Investments

District Council 4 improperly included the value of certificates of deposit as investments in Statement A (Assets and Liabilities). For LM reporting purposes, certificate of deposits are considered to be cash regardless of the length of their term. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the union should not report these transactions as receipts or disbursements.

5. Failure to File By Laws

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. District Council 4 answered "Yes" to LM-2 Item 18 for the audited year indicating that it had changes in its constitution or bylaws but failed to attach an updated copy as part of its LM-2 filing.

District Council 4 must file an amended Form LM-2 for the fiscal year ended December 31, 2009 to correct the deficient items discussed above. The amended Form LM-2 must be electronically filed as soon as possible, but not later than April 30, 2011. Before filing, review the report thoroughly to be sure it is complete and accurate, properly signed with electronic signatures, and includes an attached updated copy of its constitution or bylaws.

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 District Council 4's 2009 records revealed the following recordkeeping violations:

1. Meal Expenses

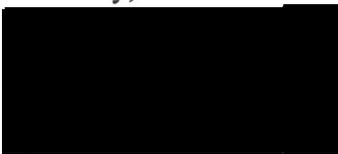
District Council 4 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$885.70. For example, one union officer consistently submitted reimbursement expense vouchers for meals he claimed were paid for in cash but provided no supporting receipts. 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.

District Council 4 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.

Based on your assurance that District Council 4 will retain adequate documentation 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 Graphic Communications District Council 4 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,



Senior Investigator

cc: Attorney Thomas Allison – Allison, Slutsky, Kennedy, P.C.
CPA Charles Gries – Charles J. Gries & Company