

**U.S. Department of Labor**

Employment Standards Administration  
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December 15, 2008

Mr. Edward Burpo, President  
Bakery, Tobacco & Grain, AFL-CIO  
Local 300  
4376 Archer Ave  
Chicago, IL 60632-2811

LM File Number: 050-715

Case Number: [REDACTED]

Dear Mr. Burpo:

This office has recently completed an audit of the Bakery, Confectionary, Tobacco Workers and Grain Millers Local 300 (Local 300) 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 on December 11, 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.

Recordkeeping Violation

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 300's 2007 records revealed the following recordkeeping violation:

#### Petty Cash Fund Disbursements

Local 300 did not retain adequate documentation for disbursements made from the petty cash fund totaling at least \$800. 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.

Based on your assurance that Local 300 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

#### 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 300 for fiscal year ending December 31, 2007, was deficient in the following area:

#### Schedule 18 / Item 53 - General Overhead

The amount reported in Schedule 18 / Item 53 does not correspond to the amount recorded in the union's books. It appears that the local mistakenly excluded at least \$800.00 in general overhead disbursements made during the audit year from the local's petty cash fund. The instructions for Schedule 18 require labor organizations to report all direct and indirect disbursements to all entities and individuals during the reporting period associated with general overhead. Since these disbursements did not meet the \$5,000 itemization requirement, the amount should have been included in Schedule 18, Line 5 and in Item 53.

I am not requiring that Local 300 file an amended LM report for 2007 to correct the deficient item, but Local 300 has agreed to properly report the deficient item on all future reports it files with OLMS.

### Other Violation

#### Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year. Local 300's officers and employees are currently bonded for \$60,000, but they must be bonded for at least \$75,895. Local 300 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but no later than January 7, 2009.

### Other Issues

#### Personal Use of Union Credit Cards

The audit revealed that Local 300 permitted an officer to use the union's credit card to pay for personal expenses. Although the officer promptly repaid the Local 300 for personal expenses charged, OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds.

#### Petty Cash Fund

In association with the previously noted recordkeeping violation, the audit revealed that Local 300 did not maintain one record that noted all deposits and disbursements made into and from the local's petty cash fund. Instead, a series of duplicate receipts and personal/union checks were maintained to account for the undeposited cash receipts totaling at least \$1,000, which were added into the local's petty cash fund. During the exit interview, OLMS recommended and Local 300 agreed to maintain a ledger book that records that date, source, and amount of all deposits made into the petty cash fund and the date, vendor, and amount of all disbursements made from the petty cash fund.

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I want to extend my personal appreciation to Local 300 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: Luis Rodriguez, Treasurer  
Marvin Scott, CPA