

**U.S. Department of Labor**

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January 16, 2008

Tim Lackey, Business Representative  
Painters, AFL-CIO  
Local 456  
1123 Third Ave.  
Nashville, TN 37208

LM File Number 038-356  
Case Number: [REDACTED]

Dear Mr. Lackey:

This office has recently completed an audit of Painters Local 456 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 7, 2007, 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 456's 2006 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 456 did not require officers and employees to submit itemized receipts for meal expenses. 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 456 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. For example, a trustee facilitating the retirement luncheons submitted several receipts lacking an explanation of the expense. 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.

2. Reimbursed Auto Expenses

District Council 91 delegates, who received reimbursement for business use of their personal vehicles, did not have adequate documentation retained by the union supporting payments to them totaling \$253 during 2006. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Disposition of Property

Local 456 did not maintain an inventory of T-Shirts, and other property it purchased, 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 30 of the LM-3.

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 30.

The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items or if given away record to whom it was given and on what date.

#### 4. Failure to Record Deposits and Receipts

Local 456 does not maintain a record of disbursements from its death benefit checking account. For example, on July 6, 2006 a disbursement of \$450 was made to a member of local 456. The only documentation was the cancelled check and bank statement. Union disbursements records must include an adequate identification of all money the union disburses. The records should show the date disbursed, to whom, the amount disbursed and the purpose and the source of the money.

Union receipt records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

Based on your assurance that Local 456 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

#### Other Issues

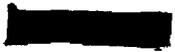
##### 1. Multiple Signatories

During the audit, you revealed that the President, Recording Secretary and Treasurer are the three authorized signatories of Local 456. You stated that Local 456 requires two signatures on checks. The two signature requirement is an effective internal control of union funds as its purpose is to attest to the legitimacy of a disbursement. During the audit it was revealed that the two signature requirement was not followed on all checks written. There was one occasion when the president was the sole signatory on a check in which he was also the payee. OLMS recommends that Local 456 review these procedures to improve internal control of union funds.

Mr. Tim Lackey  
March 17, 2008  
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I want to extend my personal appreciation to Painters Local 456 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: Kenneth Owen, Treasurer

