

U.S. Department of Labor

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September 29, 2009

Mr. Michael Royce, Financial Secretary
Glass Molders Plastics AFL-CIO
Local 58
260 Timberline Road
Kilgore, Texas 75662

LM File Number 057-057
Case Number: [REDACTED]

Dear Mr. Royce:

This office has recently completed an audit of GMP Local 58 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 President Rex Cicero and you on September 28, 2009, 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 58's 2008 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 58 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$50. 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 58's 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, the Fat Catz receipt dated November 10, 2007 for \$415.51 should have had the words, "union steward training" written on it. 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. Lost Wages

Local 58 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$9,000. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The audit found that Local 58 did not keep a record of the number of hours lost on each date or the rate of pay.

3. Per Diem

Local 58 did not retain adequate documentation for per diem payments to union officers totaling at least \$2,225. The union must maintain records in support of per diem claims that identify each date per diem was paid, the daily per diem amount, and a description of the union business conducted. The audit found that Local 58 did not keep a record of the dates per diem was paid or the per diem rate paid.

4. Lack of Fixed Asset Inventory

Local 58 failed to maintain an inventory of their fixed assets. Records must be maintained that account for all union property. In the case of union furniture or equipment, a record should include the date of purchase and cost and value of each item.

As agreed, provided that Local 58 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

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 58 for fiscal year ending October 31, 2008, was deficient in the following areas:

1. Disbursements to Officers

Local 58 did not include gasoline purchases made for Financial Secretary Michael Royce totaling at least \$210 in Item 24. Such payments appear to have been erroneously reported in Item 54 Other Disbursements.

The union must report all direct disbursements to Local 58 officers and some indirect disbursements made on behalf of its officers must be reported 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 credit card companies) 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).

2. Fixed Assets

Local 58 mistakenly reported \$25,000 in fixed assets in Item 29. Local 58 informed OLMS that they only have about \$1,500 worth of fixed assets and that they used to have some land, but sold it years ago but have still been reporting its value in Item 29.

I am not requiring that Local 58 file an amended LM-3 report for 2008 to correct the deficient items, but Local 58 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Flower Expense Policy

As I discussed during the exit interview, the audit revealed that Local 58 does not have a clear policy regarding who flowers can be purchased for and on what occasions. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Signing Blank Checks

During the audit, you advised that President Rex Cicero signs blank checks. Your union's bylaws require that all checks have two signatures. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 58 review these procedures to improve internal control of union funds.

3. ATM/Debit Card

During the audit, you advised that Local 58 uses a debit card for some union purchases. Your union's bylaws require that all disbursements be via check or warrant with two signatures. The two signature requirement is an effective

internal control of union funds. OLMS recommends that Local 58 review this practice to improve internal control of union funds.

I want to extend my personal appreciation to GMP Local 58 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,

A solid black rectangular box redacting the signature of the investigator.

Investigator

cc: President Rex Cicero