

U.S. Department of Labor

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Office of Labor-Management Standards
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July 22, 2009

Mr. Harry Williams, Secretary-Treasurer
Painters AFL-CIO
District Council 21
2980 Southampton Road
Philadelphia, PA 19154

LM File Number 013-023
Case Number: [REDACTED]

Dear Mr. Williams:

This office has recently completed an audit of Painters District Council 21 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 July 22, 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 District Council 21's 2008 records revealed the following recordkeeping violations:

1. Meal Expenses

District Council 21 authorizes officers and employees to charge business related meal expenses to the council's American Express Credit Card Account. The council's records of meal expenses did not always include sufficient written explanations of the union business conducted or the names and titles of the persons incurring the restaurant charges. For example, some receipts and vouchers contain initials of individuals who incurred meal expenses. Generalizations for the union purpose of expenditures included "business", "lunch", "organizing meeting" and "meeting with contractor."

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. 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.

2. Lost Wages

District Council 21 did not retain adequate documentation for lost wage reimbursement payments. President Harry Williams advised that minimal lost time payments are made by the district council and he is aware of the union business conducted and authorizes the lost time payments. 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.

During the exit interview, I provided a sample of an expense voucher District Council 21 may use to satisfy this requirement. The sample identifies the type of information and documentation that the council must maintain for lost wages and other officer expenses.

Based on your assurance that District Council 21 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above 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-2 filed by District Council 21 for fiscal year ending December 31, 2008, was deficient in the following areas:

1. Other Assets

During the audit period District Council 21 purchased a total of \$97,659.93 in alcoholic beverages which was provided for open bars during catered events at the council's banquet rooms. All purchases were made with union funds from the Building Checking Account. The audit revealed that District Council 21 does not maintain sufficient inventory records regarding the union's purchased alcoholic beverage. An asset inventory should be maintained to identify each asset, the value of each asset and to document the purchase, sale or distribution of each asset. The alcoholic beverage inventory must be reported on LM-2 Schedule 7 - Other Assets. OLMS recommends that the district council maintain an inventory to adequately account for all property that is purchased, sold or given away and to verify assets reported on Schedule 7 - Other Assets.

2. Failure to File Bylaws

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

Mr. Harry Williams
July 22, 2009
Page 4 of 4

when it makes changes to its constitution or bylaws. District Council 21 amended its constitution and bylaws, but did not file a copy with its LM report.

District Council 21 has now filed a copy of its constitution and bylaws.

I am not requiring that District Council 21 file an amended LM report for 2008 to correct the deficient items, but District Council 21 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Painters District Council 21 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 Kraft, President