

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
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September 18, 2009

Mr. Lamont Phillips, President  
Bakery, Tobacco, & Grain AFL-CIO  
Local 503  
613 Walton Circle  
Rocky Mount, NC 27801

LM File Number 028-687  
Case Number: [REDACTED]

Dear Mr. Phillips:

This office has recently completed an audit of BCTG Local 503 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, Treasurer David Hoffman, and Mrs. Gail Hoffman on September 8, 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 503's 2008 records revealed the following recordkeeping violations:

1. Union Owned/Leased Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3.

Local 503 incurred expenses totaling at least \$2,510 for automobiles during 2008. However, Local 503 did not maintain records documenting business versus personal use of the union vehicles.

The LM-3 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Item 24 of the LM-3, allocated to the officer or employee to whom each vehicle is assigned.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

2. Failure to Record Receipts

Local 503 did not record in its receipts records some employer dues check off checks totaling at least \$11,306. For example, details regarding the amount and source of check-off were listed on some deposit slips. Other deposit slips either lacked these details or were missing all together. Union receipts 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.

3. Receipt Dates not Recorded

Entries in Local 503's depository slips reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

4. General Reimbursed and Credit Card Expenses

Local 503 did not retain adequate documentation for direct disbursements, reimbursed expenses, and credit card expenses incurred by Treasurer David Hoffman totaling at least \$4,105. For example, Hoffman failed to retain itemized receipts for all credit card purchases. Additionally, there were no expense vouchers with attached receipts for his weekly expense reimbursements on 17 occasions in fiscal year ending December 31, 2008.

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 503 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 / LM-3) filed by Local 503 for fiscal year ending December 31, 2008, was deficient in the following areas:

1. Disbursements to Officers

Local 503 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to Local 503 officers and some indirect disbursements made on behalf of its officers 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 a credit card company) 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. Automobile Expenses (LM-3)

Local 503 did not include in the amounts reported in Item 24 (All Officers and Disbursements to Officers) disbursements for the operation and maintenance of union automobiles totaling at least \$2,510. It appears the local incorrectly reported these amounts with the amounts reported in Item 48 (Office and Administrative Expenses). The LM-3 instructions for Item 24 require that the local report in Column E of Item 24 (Allowances and Other Disbursements) the total maintenance and operating costs of any automobile it owned or leased and assigned to an officer, whether the use was for official business or for the personal benefit of the officer.

### 3. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

I am not requiring that Local 503 file an amended LM report for 2008 to correct the deficient items, but Local 503 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issues

##### Recordkeeping Errors

As I discussed during the exit interview, my review revealed bookkeeping errors including two checks that cleared the union bank account listed in union books as "void," one instance of a duplicate salary payment to Treasurer David Hoffman, and two instances where Treasurer Hoffman received reimbursements for expenses charged to the union credit card. It is necessary for the local to review their records for accuracy. Conducting a monthly bank reconciliation will quickly identify bookkeeping errors. Additionally, we discussed the importance for the Local 503 trustees to review union records in addition to reviewing trustee reports. The writer explained that a Trustee Guide is available on the OLMS website to assist them in their review of local union records.

I want to extend my personal appreciation to BCTG Local 503 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,



Lead Investigator

Mr. Lamont Phillips  
September 18, 2009  
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cc: David Hoffman, Treasurer