

**U.S. Department of Labor**

Office of Labor-Management Standards  
Cleveland District Office  
1240 East Ninth Street  
Room 831  
Cleveland, OH 44199  
(216)357-5455 Fax: (216)357-5425



May 6, 2010

Mr. Terrance O'Neil, Financial Secretary  
Painters  
Local Union 128  
8257 Dow Circle W  
Strongsville, Ohio 44136

LM File Number 031-004  
Case Number: [REDACTED]

Dear Mr. O'Neil:

This office has recently completed an audit of Painters Local 128 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 and Local Union 707 Financial Secretary Lou Ferrante, on April 2, 2010, 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.

The CAP disclosed the following violations:

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 128's 2007 records revealed the following recordkeeping violations:

#### Failure to Keep Records

Local 128 merged with Painters Local 707 at the end of the fiscal year, December 31, 2007. Financial Secretary O'Neil stated he had turned over all the records to Local Union 707, however, some supporting documentation for disbursements and receipts were unavailable for review. Local Union 128 agreed to maintain all documentation to support entries on the LM-3 report.

#### 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 128 for fiscal year ending December 31, 2007, was deficient in that:

#### Disbursements to Officers

Local 128 did not include some reimbursements to officers totaling at least \$208 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54, Other Disbursements.

The union must report most direct disbursements to Local 128 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).

#### Other Issues

##### Two Signatures on Accounts

During the audit, it was noted that only one signature was required on the union's savings account. OLMS recommends that each bank account require 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. OLMS recommends that Local 128 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Painters Local 128 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: Lou Ferrante, Financial Secretary