



December 14, 2011

Mr. Henry McKay, Vice President/ Financial Secretary Treasurer
Bakery Workers Local 6
5416 Rising Sun Avenue
Philadelphia, PA 19120

Case Number: [REDACTED]
LM Number: 018158

Dear Mr. McKay:

This office has recently completed an audit of Bakery Workers Local 6 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 Bookkeeper Patti Rosser on December 10, 2011, 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 6's 2010 records revealed the following recordkeeping violations:

1. Failure to Maintain Supporting Documentation for Credit Card Expenses

Although Local 6 maintained the majority of supporting documentation for expenses incurred on the union's credit card, Local 6 did not retain adequate documentation for

credit card expenses totaling at least \$5,648.25 incurred in July 2010. During the exit interview, you confirmed that these disbursements were for expenses during the BCTGM International Convention in Las Vegas Nevada. During our meeting you agreed that the union would keep all original receipts in addition to the monthly credit cards statements.

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.

2. Union Owned/Leased Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2. Specifically the union did not maintain records documenting business versus personal use of the union vehicles.

The LM-2 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 Schedules 11 and 12 of the LM-2, 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.

Based on your assurance that Local 6 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 violations 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 Local 6 for fiscal year ending December 31, 2010 was deficient in the following areas:

1. Other Liabilities

Local 6 did not include amounts reported in Schedule 10 (Other Liabilities) liabilities for severance pay owned to union officers in the event an individual leaves office. As per Article IV, Section 6 C. of the BCTGM Local 6 Constitution and Bylaws, amended March 2010, "An officer when leaving the Local Union will receive severance pay, vacation pay and such other compensations as directed by the Executive Board..."

Since officers are entitled to the amount owed to them as per the union's governing document if and when they retire or leave Local 6, this represents a liability to the union for LM reporting purposes. However, Local 6 did not include amounts for severance payments as liabilities in Schedule 10 / Item 33.

2. Automobile Expenses

Local 6 did not include in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) disbursements for the operation and maintenance of union automobiles totaling at least \$3,370.89.

The LM-2 instructions provide two methods for reporting automobile-related expenses. The union must report in Schedules 11 and 12 direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance). The union may divide the expenses and report them in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use.

Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer or employee in Column F of Schedule 11 or 12 with an explanation in Item 69 (Additional Information) that the officer or employee used the vehicle part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50 percent of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the officer or employee used the vehicle partly for official business.

3. 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 when it makes changes to its constitution or bylaws. Local 6 amended its constitution and bylaws in March 2010, but did not file a copy with its LM report for that year.

Local 6 has now filed a copy of its constitution and bylaws.

4. Delinquent Filing

Form LM-2 must be filed 90 days after the end of your labor organization's fiscal year (12 month reporting period). Local 6's 2010 fiscal year ended December 31, 2010; therefore Form LM-2 should have been filed no later than March 31, 2011. Local 6 filed Form LM-2 on September 21, 2011.

I am not requiring that Local 6 file an amended LM report for 2010 to correct the deficient items, but Local 6 has agreed to properly report the deficient items on all future reports it files with OLMS, and to file their LM reports within 90 days of the end of their fiscal year.

Other Issue

Personal use of Credit Cards

Although Local 6 does not permit officers and employees to use union credit cards to pay for personal expenses, the audit revealed that officers charged personal expenses totaling approximately \$455.84 in 2010. OLMS does not recommend personnel to make personal purchases with union credit cards because this may lead to misuse of union funds. These charges were repaid prior to the closing of this audit. Local 6 has agreed to be more diligent regarding this matter in the future.

I want to extend my personal appreciation to Bakery Workers Local 6 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: Mr. Barry Fields, President