



December 7, 2011

Ms. Annette Early, President
Lena Local 101, Ind.

Case Number: [REDACTED]
LM Number: 511329

Dear Ms. Early:

This office has recently completed an audit of Lena Local 101 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, Vice President Lisa Blahnik, Treasurer Mark Blahnik, Secretary Brenda Pawlak, and Trustees Terry Earley, Cheryl Jagiello, and Mark Wiedmeier on November 29, 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 101's 2010 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Entries in Local 101's general ledger reflect the date money was deposited but not the date money was received. During the opening interview, Treasurer Blahnik advised that he

records income in the ledger on the date that he deposits it, which is normally within a week of receiving the money. Dates reflected in the date column of the ledger are the deposit dates and not the dates monies were actually received. 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 receipts must be recorded when money is actually received, and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received.

2. Failure to Retain Voided Checks

Local 101 failed to retain three voided checks during the audit year. Voided checks are required to be retained to verify, clarify, and support the information reported by labor organizations on LM reports. Retention of a voided check is essential to verify that the check was not in fact issued and that a reportable transaction occurred.

3. Lack of Salary Authorization

Local 101 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and were therefore correctly reported. During the opening interview, you advised that the current salary levels have been in effect since well before you took office in 2006 and were likely authorized at a membership meeting sometime before 2006, but written authorization could not be located.

You advised that following our first discussion of this issue, Local 101's membership authorized the current salaries paid to officers. The authorization and specific salary amounts were documented in membership meeting minutes for the October 12, 2011 membership meeting.

4. Information not Recorded in Meeting Minutes

During the audit, you advised that it is the union's policy to authorize all disbursements at membership meetings, with the exception of "standing motions" that have been approved at past meetings, including compensation to officers (as described above) and bereavement payments to members who have had an immediate family member pass away. A review of the meeting minutes retained by Local 101 revealed that other types of disbursements are typically authorized and documented in the meeting minutes. However, neither Local 101 meeting minutes nor any other record documented authorization of specific disbursements or a "standing motion" related to disbursements for bereavement.

Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 101 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-3 filed by Local 101 for the fiscal year ended December 31, 2010 was deficient in the following areas:

1. Disbursements to Officers

Local 101 erroneously included the names of stewards in Item 24 (All Officers and Disbursements to Officers). Only the names of officers, as defined in section 3(n) of the LMRDA, including "any constitutional officer, any person authorized to perform the functions or president, vice president, secretary, treasurer, or other executive functions of a labor organization, and any member of its executive board or similar governing body," are required to be reported in Item 24. Article XII, Section (a) of the Local 101 bylaws, provides that "Stewards are not officers of the Union." In the case of LM reporting, stewards in your union are considered employees of Local 101 and as such any payments to them must be reported in Item 46 (To Employees).

In addition, Local 101 did not include some reimbursements to officers totaling at least \$450 in the amounts reported Item 24 (All Officers and Disbursements to Officers). As an example, during 2010, Local 101 paid for meals totaling approximately \$350 for you and other members of the negotiation team that negotiated the union's contract with Saputo Cheese that year. The expenses were paid by checks to restaurants or by reimbursement checks to the officers. As another example, you received reimbursement payments totaling \$116 for fuel expenses related to use of your personal vehicle to conduct union business. However, Local 101 failed to report any amounts disbursed to officers for expenses in Column E (Allowances and Other Disbursements) of Item 24. It appears that these disbursements were erroneously included in the amount reported in Item 48 (Office and Administrative).

Most direct disbursements to Local 101 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 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. Cash at the Beginning and End of the Year

Local 101's general ledger shows that the balance of all the union's cash accounts totaled \$29,998.88 at the beginning of the year and \$15,162.46 at the end of the year; however, Local 101 reported \$0 in Item 25(a) (Cash-Start of Reporting Period) and Item 25(b) (Cash-End of Reporting Period). During the exit interview, Treasurer Blahnik advised that he erroneously reported the cash figures in Item 29(a) (Fixed Assets-Start of Reporting Period) and 29(b) (Fixed Assets-End of Reporting Period).

Page 11 of the Form LM-3 Instructions state that all of your organization's cash on hand and on deposit at the start and end of the reporting period must be reported in Item 25(a) and Item 25(b), respectively.

3. Other Disbursements

The audit revealed that Local 101 disbursed \$4,345.55 to the Holiday Inn and \$300 to DJ Dubs for food, drink, and entertainment related to the annual "Pop Party" that is sponsored by Local 101. Treasurer Blahnik advised that these disbursements were included in the amounts reported in Item 51 (Contributions, Gifts and Grants). However, for LM reporting purposes, direct disbursements to vendors for expenses related to membership meetings or other widely attended gatherings are required to be reported in Item 54 (Other Disbursements).

I am not requiring that Local 101 file an amended LM report for 2010 to correct the deficient items, but Local 101 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Two Signatures on Checks

Article VI (President's Duties), Section 3 of the Local 101 bylaws, provides that the president "together with the secretary treasurer, shall sign all official documents, deeds, mortgages, bonds, contracts, other instruments, all checks on bank accounts, and perform such other duties as the Constitution, these By-Laws, or Law may require of him."

During the opening interview, you stated that Local 101's practice is to require that checks be signed by just one officer. 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. You advised during the exit interview Local 101 is currently in the process of making the necessary changes to remain in compliance with the local bylaws requirement.

I want to extend my personal appreciation to Lena Local 101 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. Mark Blahnik, Treasurer
Mr. Mark Wiedmeier, Trustee
Ms. Brenda Pawlak, Secretary
Ms. Cheryl Jagiello, Trustee