



December 2, 2016

Mr. Brad Walk, President
Painters Local 788
1205 W, Perkins Ave.
Sandusky, OH 44870-4603

Case Number: 350-6008674 [REDACTED]
LM Number: 003-177

Dear Mr. Walk:

This office has recently completed an audit of Painters Local 788 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 Business Representative Joe Jeffers and Financial Secretary [REDACTED] on October 31, 2016, 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 788's 2015 records revealed the following recordkeeping violations:

1. Credit Card Receipts

Local 788 did not retain adequate documentation for credit card expenses incurred by you totaling at least \$492.71. For example, receipts to Krogers, Subway, Hayes and Perkins,

and Taco Bell were not maintained for food and beverage purchases for the monthly membership meetings.

As 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. Failure to Record Deposits and Disbursements Properly

Local 788 did not properly record in its general ledger book some dues deposits and interest earned on a certificate of deposit totaling at least \$3,771.35. For example, monthly deposits made by District Council 6 on behalf of the local were either recorded incorrectly or not recorded at all in the local's general ledger book. Additionally, earnings from the local's certificate of deposit with Civista Bank were not recorded. The local also failed to record the bank fees incurred each month in the local's general ledger book.

Union receipts and disbursements records must include an adequate identification of all money the union receives and disburses from all accounts. For receipts, the records should show the date and amount received, the source of the funds, along with any detail of deposits. For disbursements, the records should not only show the date and amount disbursed, but also to whom and the reason for the disbursement.

Based on your assurance that Local 788 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 788 for the fiscal year ended December 31, 2015 was deficient in the following area:

Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Local 788'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.

It appears the local failed to record the balance of \$1,477.51 for the certificate of deposit held with Civista Bank on the December 31, 2015 Form LM-3 filed with the Secretary of Labor.

Local 788 must file an amended Form LM-3 for the fiscal year ended December 31, 2015, to correct the deficient item discussed above. I encourage Local 788 to complete, sign, and file its

report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than **December 16, 2016** or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Issue

Check Signatures

During the audit, it was noted the local only requires one signature on checks disbursed by the local. OLMS recommends all checks disbursed by the local contain two officer 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. OLMS recommends that Local 788 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Painters Local 788 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. Joe Jeffers, Business Representative