



April 24, 2017

Mr. John Collins, Financial- Secretary
Painters Local 2011
2980 Southampton Road
Philadelphia, PA 19154

Case Number: 140-6010127
LM Number: 544533

Dear Mr. Collins:

This office has recently completed an audit of Painters Local 2011 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, Painters District Council 21 Business Representative Robert Cross, District Council 21 Business Manager/ Secretary-Treasurer Joe Ashland and District Council 21 Assistant Business Manager Fran McLaughlin on April 19, 2017, 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 2011's 2016 records revealed the following recordkeeping violations:

1. Book Balances for the Start and End of Year

Local 2011 did not maintain book balances for the audit year. Unions should keep a record of its book balances as reconciled with the bank statements. The LM-2 Form instructions for Statement A indicate that checking account balances reported should be obtained from your organization's book balances as reconciled with the balances shown on bank statements.

2. Failure to Record Receipts

Local 2011 did not record in its receipts records the source of funds, the amount received, and the purpose of each payment (membership dues, initiation fees, bank interest, etc.). For example, on February 5, 2017 the union deposited \$7,287.54 when they cashed out a certificate of deposit and failed to record in their receipt records adequate information regarding the deposit. 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

As mentioned above, Local 2011 failed to record and detail receipts in their receipt records, therefore the union also failed to record receipt dates. Entries in Local 2011's receipts records 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-2. The LM-2 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. Information not Recorded in Meeting Minutes

During the audit, you and Mr. Cross advised OLMS that the local's membership authorizes each union disbursement during monthly membership meetings. The audit revealed that, although the majority of expenses were included in a Treasurer's Report that you indicated is read aloud during membership meetings, the local's debit card expenses, totaling \$2,620, were left off the Treasurer's Report, and therefore appear to not have been approved by the membership. If the union's authorization policy for disbursements is that the local's membership approves each and every disbursement, minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

5. Lack of Salary Authorization

Local 2011 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) of the LM-2 was the authorized amount and therefore was correctly reported. Specifically, the union failed to maintain a document to support the monthly compensation of \$400 for the local's administrative assistant. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 2011 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) filed by Local 2011 for fiscal year ending December 31, 2016, was deficient in the following areas:

1. Failure to File Report on a Cash Basis

Local 2011 used the accrual method of accounting rather than a cash method to report the figures on Form LM-2 for the audit year. The LM Forms are intended to reflect the actual amount of funds received and disbursed during the fiscal year as per the union's book records.

2. Disbursements to Officers and Employees (LM-2)

Local 2011 did not include some reimbursements to former Financial- Secretary [REDACTED] [REDACTED] totaling at least \$682.40 in Schedule 11 (All Officers and Disbursements to Officers). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union 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 2011 amended its constitution and bylaws in 2016, but did not file a copy with its LM report for that year.

Local 2011 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 2011 file an amended LM report for 2016 to correct the deficient items, but Local 2011 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local 2011's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issues

1. Expense Policy

As I discussed during the exit interview, the audit revealed that Local 2011 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Duplicate Receipts

Members of Local 2011 pay dues directly to the union. Although Local 2011 has a duplicate receipt system in place, OLMS recommends that Local 2011 revise their duplicate receipt system where the union issues original pre-numbered receipts in sequential order and if more than one duplicate receipt book is in use, the union should

maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable.

I want to extend my personal appreciation to Painters Local 2011 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. Robert Cross, District Council 21 Business Representative