



July 24, 2018

Mr. Donald Woods, President
Bakery, Tobacco, & Grain Local 1
7310 W. 39th Street, Suite 200
Lyons, IL 60534

Case Number: 310-6013087
LM Number: 012282

Dear Mr. Woods:

This office has recently completed an audit of Bakery, Tobacco, & Grain Local 1 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, Secretary Treasurer Beth Zavala, Recording Secretary Rochelle Ross, Attorney Robert Seltzer, and Accountant Martin Cramer on July 24, 2018, 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 1's 2017 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 1 did not retain adequate documentation for some reimbursed expenses and credit card expenses incurred by union officers, totaling at least \$900. For example, you and other union officials charged postage, parking, lodging, and meeting refreshments to the

union credit card, but no supporting documentation was retained. Credit card statements alone are not sufficient to fulfill the recordkeeping requirement.

As another example, union officers received per diem related to attending conferences and conventions, but adequate documentation was not retained. Local 1 retained vouchers and check stubs, which did not always identify the dates of travel. In the case of per diem payments to officers, employees, or members for travel on union business, Local 1 must maintain records which identify the business purpose of each trip, the dates of travel, the destination, and the per diem rate paid. During the exit interview, I provided a compliance tip sheet, Reimbursed Travel Expense Payments, which contains a sample of an expense voucher Local 1 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for officer expenses.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. In addition, in the case of these types of travel expenses, the records retained must also identify the location, dates, and union business purpose of the travel that required the expenses be incurred. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

Local 1's records of meal expenses did not always include the full names and titles of the persons incurring the restaurant charges, totaling at least \$1,100. Local 1 retained the credit card statement and credit card receipts for meals which listed the union business conducted. However, in instances where more than one person was incurring the meal expense, Local 1 officers failed to include the names and/or titles of the persons incurring the restaurant charges. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

In addition, Local 1 did not always require officers and employees to submit itemized receipts for meal expenses totaling at least \$750. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

3. Lack of Salary Authorization

Former Secretary Treasurer John Howard, Secretary Treasurer Beth Zavala, and you received salaries totaling at least \$230,000. However, Local 1 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. While salary increases and/or some mention of salary changes were found in the minutes

for some officers and employees, nothing was found authorizing or documenting the base salary amounts for the full-time officers. Further, during October 2016, your salary increased from at least \$54,000 to at least \$90,000 per year, because your position changed from part-time to full-time. However, no authorization was found in the union records. 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 1 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 1 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Fidelity Bond Amount

Local 1 reported an incorrect amount in Item 14 (What is the maximum amount recoverable under the labor organization's fidelity bond for a loss caused by any officer, employee or agent of the labor organization who handled union funds?). The report indicates that Local 1 is bonded for \$1,000,000. However, Local 1's bonding certificate confirms that your organization is bonded for \$260,000. It appears Local 1 erroneously reported the amount of the union's liability insurance instead of the maximum amount recoverable under its fidelity bond.

2. Officers Not Listed

Local 1 did not report the names of some officers in Schedule 11 (All Officers and Disbursements to Officers) with the total amount of payments to them or on their behalf. The LMRDA defines "officer" as any constitutional officer, any person authorized to perform the functions of president, vice president, secretary, treasurer, or other executive functions of a labor organization, and any member of its executive board or similar governing body. The audit revealed that Local 1 had at least 13 executive board members that were not identified in Schedule 11. The names of all persons who held office during the year must be reported in Schedule 11 regardless of whether or not they received any payments from Local 1.

3. Disbursements to Officers and Employees

Local 1 did not include direct and indirect payments to officers and employees totaling at least \$10,000 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). For example, you received at least \$1,889 in direct disbursements (and additional indirect disbursement from meals and gas expenses on the

union credit card). However, nothing is reported in Column F (Disbursements for Official Business) of Schedule 11. As another example, four officers incurred at least \$7,687 in gas charges for use of their personal automobiles. The gas expenses were charged to the union-issued gas credit card. These indirect disbursements must be reported in Column F of Schedule 11. 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.

4. Failure to Itemize Disbursement or Receipt

Local 1 did not properly report some “major” transactions in Schedule 14 (Other Receipts) and 18 (General Overhead). A “major” transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. For example, the audit found that Local 1 received a reimbursement from Traveler’s Insurance, totaling \$7,135. However, this receipt was not included in Schedule 14. In addition, there were two disbursements to Traveler’s Insurance for \$5,700 (commercial building insurance) and \$5,233 (workman’s compensation insurance), which were not included in the itemization pages for Schedule 18. It appears these major transactions were erroneously reported elsewhere on the report.

5. Investments

Local 1 did not properly complete Schedules 3 (Sale of Investments and Fixed Assets) and 4 (Purchase of Investments and Fixed Assets). Review of the investment brokerage statement shows that Local 1 sold investments totaling at least \$317,283, and purchased investment totaling at least \$313,136. It appears that nearly all of the proceeds from the sale of investments were immediately used to purchase new investments. There were no funds transferred or withdrawn from the brokerage account. There were no new funds added to the brokerage account. The amount of the sale or redemption of marketable securities or other investments that was promptly invested in U.S. Treasury securities, marketable securities, and other investments should be included in “Less Reinvestments” in both schedules. The total in “Less Reinvestments” on Schedule 3 must agree with the amount reported in Schedule 4. In addition, Local 1 erroneously reported “dividends

reinvested” as the purchase of an investment in Schedule 4. Local 1 should have described the investment funds that were purchased with the dividend proceeds.

6. 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 1 amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year. Local 1 has now filed a copy of its constitution and bylaws.

Local 1 must file an amended Form LM-2 for the fiscal year ended December 31, 2017, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-2 must be filed no later than August 24, 2018. Before filing, review the report thoroughly to be sure it is complete and accurate.

I want to extend my personal appreciation to Bakery, Tobacco, & Grain Local 1 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: Ms. Beth Zavala, Secretary Treasurer
Ms. Rochelle Ross, Recording Secretary (via email)
Mr. Robert Seltzer, Esq. (via email)
Mr. Martin Cramer, Accountant (via email)