



December 28, 2007

Mr. Pat Owen, President  
Stage & Picture Operators AFL-CIO Local 490  
1328 E. 9th St.  
Duluth, MN 55805

LM File Number 540-209  
Case Number: [REDACTED]

Dear Mr. Owen:

This office has recently completed an audit of IATSE 490 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 Secretary-Treasurer Wendy Carr on December 10, 2007, 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.

#### 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 490 for fiscal year ending December 31, 2006, was deficient in the following areas:

##### 1. Per Capita Tax Receipts

According to the LM-3 instructions, intermediate and parent body organizations are to report the total per capita tax they receive in Item 39 (Per Capita Tax). Local 490 reported receipts of \$14,095 in Item 39. However, the local is neither an intermediate nor a parent body, and although a per capita amount may be incorporated into the calculation of the amount of dues each member pays, Local 490 does not receive any receipts from per capita taxes. It appears that the receipts reported are not per capita tax, but are actually a portion of regular dues. Consequently, the \$14,095 figure should have been included in Item 38 (Dues).

## 2. Cash Reconciliation

The 2006 cash figures do not balance. Specifically, cash at the start of the reporting period (Item 25 (A)) plus total receipts (Item 44) minus total disbursements (Item 55) does not equal cash at the end of the reporting period (Item 25 (B)). The 2006 statement appears not to reconcile because the cash figure reported in Item 25 (A) is not the cash figure according to the union's books after reconciliation to the bank statements. The figure appears to be merely the bank balance, which does not account for outstanding checks. 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. The correct figure must be used to ensure accuracy in reporting.

I am not requiring that Local 490 file an amended LM report for 2006 to correct the deficient items, but Local 490 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issues

#### 1. Double Signature Requirement

Article IX, Section 6 of the Local 490 bylaws state that the president, business manager, and treasurer have the authority to sign all checks. Furthermore, Section 6 states that at least two of these three officers are required to sign each check. However, Secretary-Treasurer Carr is the only officer who actually signs checks. 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. Allowing only one signature does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 490 review these procedures to improve internal control of union funds.

#### 2. Salaries

The salaries of the principal officers were not paid during 2006. According to Business Manager Devins and Secretary-Treasurer Carr, Local 490 lacks adequate funding, and, as a result, only pays the salaries when enough funds are available. Based on my discussion with Mr. Devins and Ms. Carr, it is unclear whether Local

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490 intends to eventually pay officers for all of their back wages. If Local 490 intends to pay the back wages of its officers, this amount must be reported as a liability in Item 35 (Other Liabilities).

I want to extend my personal appreciation to IATSE 490 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: Wendy Carr, Secretary-Treasurer