

**U.S. Department of Labor**

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July 18, 2007

Mr. Michael Mabus, Business Representative  
Painters AFL-CIO  
Local 27  
4225 Lawndale Avenue  
Lyons, IL 60534

LM File Number 028-012

Case Number: [REDACTED]

Dear Mr. Mabus:

This office has recently completed an audit of Painters Local 27 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 and Attorney [REDACTED] on June 27, 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.

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 27's fiscal year ending December 31, 2005 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 27 did not retain adequate documentation for credit card expenses incurred by union officers totaling at least \$5,950.00. For example, \$1,000.00 was charged to a Local 27 credit card in October 2005 for repairs to a Painters District Council 14 automobile. Local 27 was reimbursed for the car repairs by the district council; however, a copy of the invoice should have been made for Local 27's records prior to sending the original invoice to the district council.

As previously 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. Disposition of Property

Local 27 did not always maintain an inventory of hats, jackets, and other property it sold and gave away. The union must report the value of any union property on hand at the beginning and end of each fiscal year in Item 28 (Other Assets) of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in item 28.

The union must record in at least one record the date and amount received from each sale of union hats, jackets, and other items.

Based on your assurance that Local 27 will retain adequate documentation in the future OLMS will take no further enforcement action at this time regarding the above violations.

Other Issues

1. Petty Cash Journal


The audit revealed that Local 27 did not start to maintain a petty cash journal until March of 2006 even though the petty cash fund had been in existence during 2005. A petty cash journal with an ending balance is an effective way to create a check figure for the amount of petty cash that should be on hand at any given time. Local 27 should continue to utilize the petty cash journal that is maintained in spreadsheet form on the computer that is located in the union office.

2. Union Merchandise Giveaways

The audit revealed that Local 27 had members sign their names on a union merchandise log whenever they received a free t-shirt or sweatshirt. The members' names and signatures were decipherable, but the merchandise logs did not contain the dates upon which the union merchandise was given away. OLMS recommends that members sign and date the merchandise log when receiving free merchandise from the local.

I want to extend my personal appreciation to Painters Local 27 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: Michael Cook, Financial Secretary