



July 10, 2020

Ms. Rachel Magee, President
Stage and Picture Operators AFL-CIO
Local 205
4818 E. Ben White Blvd., Ste 204
Austin, TX 78741

Case Number: 420-6018192
LM Number: 012184

Dear Ms. Magee:

This office has recently completed an audit of Stage and Picture Operators AFL-CIO, Local 205 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 Interim Treasurer Dale Barrick on July 2, 2020, 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 of the LMRDA requires, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained, and clarified. As a general rule, labor organization must retain 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 205's 2019 records revealed the following recordkeeping violations:

1. General Reimbursed and Debit and Credit Card Expenses
Local 205 did not retain adequate documentation for reimbursed expenses and debit and credit card expenses incurred by union officers totaling at least \$843.38. For example, there was no backup documentation to support payments made to Target totaling \$3.56, to Google Fiber totaling \$10.00, to Westin totaling \$522.99, and to Business Agent Monica

Combs totaling \$306.83.

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. Reimbursed Auto Expenses

Business Agent Combs and former Treasurer Rita Kelso received reimbursements for business use of their personal vehicles totaling at least \$20.90 and \$505.20, respectively, but did not retain adequate documentation to support these payments. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Disposition of Property

Local 205 did not maintain an inventory of shirts, vests, pins, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. 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 30. The union must record in at least one record the date and amount received from each sale of union shirts, vests, pins, and other items.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

4. Failure to Properly Record Receipts

In some instances, entries in Local 205's receipts journal reflected the date the local deposited money, but not the date money was received. In addition, some income was identified as "deposit" instead of the original source. 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. 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-3 report. The LM-3 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.

Based on your assurance that Local 205 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b) which requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The Labor Organization Annual Report LM-3 filed by Local 205 for the fiscal year ended December 31, 2019, was deficient in the following areas:

1. Disbursements to Officers

Local 205 did not report the names of some officers in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to Local 205 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. 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 205 amended its constitution and bylaws in November 2017, but did not file a copy with its LM report for that year. The local has now filed a copy of its current constitution and bylaws.

I am not requiring that Local 205 file an amended LM-3 report for 2019 to correct the deficient items, but Local 205 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Single Signature Checks

According to Article VII, Section 3 of the Local 205 Constitution and Bylaws, checks should be signed by the secretary-treasurer and president. 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. The audit revealed that only one officer signed at least

eight union checks. Only having one signatory sign a check negates the purpose of the two signature requirement. OLMS recommends that Local 205 review these procedures to improve internal controls of union funds.

2. Checks to Cash

Local 205 should ensure that checks to cash have adequate support documentation to account for the disposition of cash funds related to merchandise sales and travel advances.

3. Overpayment Discrepancy

The audit revealed that Business Agent Combs received two union checks numbered 3952 and 3953, to cover her out-of-pocket airline ticket to attend training in Maryland, resulting in an overpayment of \$306.83.

During the audit and exit interview, past and current officers indicated that the questionable overpayment issued to Combs was likely the result of a recordkeeping error. Combs agreed to repay the local, if requested, any money she received by mistake. OLMS recommends that Local 205 discuss its travel advance and reimbursement policies with all union officers to ensure adequate internal controls are in place.

I want to extend my personal appreciation to Stage and Picture Operators Local 205 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,



Senior Investigator

cc: Mr. Dale Barrick, Interim Treasurer