

U.S. Department of Labor

Office of Labor-Management Standards
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September 29, 2020

Mr. Brian Walsh, Treasurer
Painters Local 707
8257 Dow Circle
Strongsville, OH 44136

Case Number: 350-6019319 [REDACTED]
LM Number: 543730

Dear Mr. Walsh:

This office has recently completed an audit of Painters Local 707 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 on September 24, 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 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 707 2019 records revealed the following recordkeeping violations:

General Reimbursed Expenses

Local 707 did not retain adequate documentation for reimbursed expenses incurred by President Bill Pearson and Vice President Al Gerrick totaling \$1,116 each; and Delegate Jennifer Palmentera totaling \$150. The union supported a fundraising event by the District Council 6 totaling \$200 but there was no supporting documentation. These expenses were documented and approved in Local 707's membership meeting minutes. For example, Painters Local 707 paid lost wages for these two officers to attend a convention and mileage for the delegate to attend a meeting. In addition, the Painting Industry Insurance Fund was paid \$865.35 for insurance for which there was not an invoice/receipt for this expense which was also documented and approved in the membership meeting minutes.

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.

Based on your assurance that Local 707 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 707 for the fiscal year ended December 31, 2019 was deficient in the following areas:

1. 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 707 amended its constitution and bylaws in February 2019 but did not file a copy with its LM report for that year.

Local 707 has now filed a copy of its constitution and bylaws.

2. Cash Disbursements (Line Items 50 through 68)

During fiscal year ending December 31, 2019, it appears that Local 707 erroneously reported on the following line items:

- Line Item 52, Contributions, Gifts and Grants and Schedule 17 dues refunded to beneficiaries should have been reported on Line Item 53, General Overhead and Schedule 18. In addition, events, professional fees, rent, supplies and members transfers to other locals should also be reported on Line Item 53.
- Line Item 54, Union Administration and Schedule 19 reported t-shirts and gift cards should have been reported on Line Item 52, Contributions, Gifts and Grants and Schedule 17.
- Line Item 55, Benefits and Schedule 20 should have reported insurance fund

disbursements; instead this expense was reported on Line Item 52, Contributions, Gifts and Grants and Schedule 17.

- Line Item 54, Union Administration and Schedule 18 should report a percentage of Union Administration, Representational Activities, Political Activities and Lobbying, Contributions, and General Overhead for Local 707 officers.

I provided you with compliance assistance on the completion of the LM-2 report by indicating the type of expenditures that should be recorded for Items 50 through 68.

Local 707 must file an amended Form [LM-2] for the fiscal year ended December 31, 2019, 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 October 21, 2020. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Issues

Painters Local 707 Check Payment and Deposit Register

Treasurer Walsh writes checks and makes entries in the union's Check Payment and Deposit Register Column, *Payment/Debit(-)* for the check amount. Members would request Walsh to reissue their dues reimbursement checks because the checks either were lost or they believed they were expired. Walsh would then reissue a new check for the check that was previously issued and record another entry to the *Paid To (Description)* and *Payment/Debit(-)* for the same amount of the first check. Local 707 also would record the reissued check as zero instead of adding the previous check back into the account balance and then subtract the reissued check. Local 707 should add the initial check in the Column, *Deposit/Credit(+)* and then subtract the reissued check in *Payment/Debit(-)*.

I want to extend my personal appreciation to Painters Local 707 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. Bill Pearson, President
Mr. John Alicea, Financial Secretary