



May 2, 2022

██████████, President
Painters, AFL-CIO, Local 357
14587 Barber
Warren, MI 48088

Case Number: 320-6022899(██████████)
LM Number: 047565

Dear ██████████:

This office has recently completed an audit of Painters AFL-CIO Local 357 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, District Council 1M Michigan Business Representative ██████████, and former Treasurer Steve Prueter on April 20, 2022, 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 357's 2020 and 2021 records revealed the following recordkeeping violations:

1. Disbursements to Vendors

Local 357 did not retain adequate documentation for disbursements to vendors totaling at least \$20,973 and \$12,557 during the fiscal years ended June 30, 2020 and June 30, 2021,

respectively. For example, adequate supporting documentation was not retained for a \$10,000 check issued to Maxwell Uniform for “union shirts.” In support of this expense, Local 357 only recorded the disbursement in its check register, which is not sufficient.

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. Lack of Salary Authorization

Local 357 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. Local 357’s bylaws authorize the union’s officers to be paid an amount equal to monthly dues, which are a percentage of gross wages and vary by officer and month, per meeting attended. However, former Treasurer Steve Prueter explained that it has been the past practice of the local to pay officers and delegates \$120 per quarter and \$105 per quarter, respectively. 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 357 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-3 filed by Local 357 for the fiscal year ended June 30, 2021, was deficient in that:

1. Cash Assets Overreported

The beginning and ending cash balance was not properly reported in Item 25 (Cash) on the LM report. The audit revealed that in October 2018, Mr. Prueter recorded a \$203,309.88 fund transfer from the union’s savings account to the union’s checking account in the check register twice. As a result of this duplicate entry, the local has reported inaccurate beginning and ending cash balances in Item 25 (A) (Cash, Start of Reporting Period) and (B) (Cash, End of Reporting Period) on its LM-3 reports for the past four fiscal years. For example, Local 357 reported and ending cash balance of \$254,045 for the fiscal year ended June 30, 2021; however, the actual ending cash balance was \$227,670.67.

The LM-3 instructions provide that all of your organization’s cash on hand and on deposit at the start and end of the reporting period must be reported in Item 25(A) and

Item 25(B), respectively. Cash on hand includes un-deposited cash, checks, and money orders; petty cash; and cash in safe deposit boxes. Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money market accounts. Local 357 should take steps to ensure that all transactions are accurately recorded in the union's records.

2. Disbursements to Officers

Local 357 did not properly report the payments it made to officers during the reporting period in Item 24. The audit revealed that Local 357 did not accurately report salary payments made to former President Rich Oakey and former Vice President Robert Oakey. For example, former President Oakey was paid \$900 during the audit year; however, only reported salary payments to Oakey totaled \$225 in Item 24, Column D (Gross Salary). Similarly, the union paid former Vice President Oakey \$480 in salary during the audit year, but reported salary payments totaling \$1,155 in Item 24, Column D. All forms of compensation, including salary and lost wages, must be reported in Item 24, Column D. It appears these amounts were erroneously reported in Column D of the other officer's name....

The union must report most direct disbursements to Local 357 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).

I am not requiring that Local 357 file an amended LM report for 2021 to correct the deficient items, but Local 357 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Single Signatory on Checks

During the opening interview, [REDACTED] indicated that all checks from the local's checking account required two officer signatures. The audit revealed that checks issued during the audit period were only signed by Mr. Prueter. The two-signature requirement is an effective internal control of union funds. Its purpose is to attest the authenticity of a completed document already signed. OLMS recommends that Local 357 review its disbursements procedures to improve internal control of union funds.

2. Failure to Update Authorized Signatories at Bank

The audit revealed that Treasurer ██████████ and you were not listed as authorized signers for the union's bank accounts held at Key Bank, and that former Financial Secretary ██████████ was the only authorized signer for the account. OLMS recommends that in order to maintain proper internal control of union funds, the authorized signatory information be updated promptly at all banks for all accounts held in the name of the local whenever there is a change in officers. ██████████ stated that he already updated the signers for the account held at Key Bank and is in the process of doing so for the local's checking account at Fifth Third Bank.

I want to extend my personal appreciation to Painters Local 357 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: ██████████, Treasurer
██████████, Business Representative