

U.S. Department of Labor

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September 26, 2007

Mr. Paul Jesion, President
Graphic Communications, IBT AFL-CIO Local 7
6531 W. Lincoln Ave.
West Allis, WI 53219

Case Number [REDACTED]
LM Number: 002-197

Dear Mr. Jesion:

This office has recently completed an audit of G.C.I.U. Local 7 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 Randall Herbst on September 21, 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 7's 2006 records revealed the following recordkeeping violations:

1. Lack of Salary and Allowance Authorization

Local 7 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. Article X of Local 7's bylaws supplement state that the salary of the Secretary/Treasurer shall be a "Letterpressman's day scale plus \$28.00 per week". However, the current salary of the Secretary/Treasurer is that of a Two Color Pressman's rate based on the Franklin Association contract.

Records were also not maintained to verify that the \$200 per month car allowance and the \$200 per month pension contribution for the Secretary/Treasurer were the authorized amounts and therefore were correctly reported.

Local 7 must keep a record, such as meeting minutes, to show the current salary and allowances authorized by the entity or individual with the authority to establish salaries.

2. Meal Expenses

Local 7's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, 12 meals were purchased throughout the year for audit lunches, but the names of those in attendance were not included on the receipt. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Voided Checks

During the opening interview, Mr. Herbst stated that he does not retain Local 7's voided checks.

All union records created, used, or received during the course of union business, and which are necessary to verify, explain or clarify, and check for accuracy and

completeness on the LM report (including voided checks) must be retained for five years following the date the LM is filed.

Based on your assurance that Local 7 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 7 for fiscal year ending April 30, 2007, was deficient in the following areas:

1. Disbursements to Officers

Local 7 did not include some reimbursements to officers totaling at least \$3,036 as well as lost time payments made to you in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears these were erroneously reported in Item 54 (Other Disbursements). Also not included in the amount reported in item 24 is at least \$450 in cash payments made to you and Vice President Mark Sikorski for attending meetings.

Most direct disbursements to Local 7 officers and some indirect disbursements made on behalf of officers must be reported 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. Reporting of Receipts

Local 7 failed to properly report \$1,774.75 in fees and fines it collected in item 40 (Fees, Fines, Assessments and Work Permits) of the LM-3 report. It appears that

this amount was erroneously included in the amount reported in item 43 (Other Receipts). The instructions for form LM-3 require that all fees and fines be reported in item 40.

3. Reporting of Disbursements

Local 7 failed to properly report in item 45 (To Officers) of the LM-3 report the total amount disbursed to union officers. The instructions for form LM-3 require that "the total reported on line 11 of Item 24" be reported in item 45. Line 11 reports the net amount paid to officers. It appears that the gross amount paid to officers was reported in item 45 of your most recently filed LM-3. The LM-3 instructions require that all withholding taxes disbursed be reported in item 54 (Other Disbursements).

Local 7 failed to properly report in item 51 (Contributions, Gifts, and Grants) donations that were made during the year. It appears that these donations were erroneously reported in item 54 (Other Disbursements). The instructions for form LM-3 require that all disbursements for contributions, gifts, and grants be reported in item 51.

4. 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 7 amended its constitution and bylaws in 1965, but did not file a copy with its LM report for that year.

During the Exit Interview, Mr. Herbst provided me with a copy of your most recently updated bylaws.

I am not requiring that Local 7 file an amended LM report for 2006 to correct the deficient items, but Local 7 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Some members pay dues and fines directly to Local 7. Mr. Herbst records dues and fines payments in the union's receipts journal, but he does not issue pre-numbered

Mr. Paul Jesion
September 26, 2007
Page 5 of 5

receipts to dues and fines payers. OLMS recommends that Local 7 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to G.C.I.U. Local 7 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 are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

[REDACTED]

Investigator

cc: Randall Herbst, Secretary/Treasurer