

U.S. Department of Labor

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September 12, 2007

Timothy S. Scott
President
Glass Molders Plastics AFL-CIO
Local Union 65B
112 East Main Street
Albertville, Alabama 35950

File No. 511-689

Case No. [REDACTED]

Dear President Scott:

This office has recently completed an audit of Glass Molders Plastics AFL-CIO, Local Union 65B, 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 Kathy Lacks, Financial Secretary, on June 4, 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 65Bs FY 2006 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

In several instances, Local 65B did not retain adequate documentation to support reimbursed expenses. For example, check [REDACTED], dated August 23, 2006, in the amount of \$439.06, made payable to you for expenses incurred during a conference, included the purchase of an ink cartridge in the amount of \$49.74. The purchase was not supported by any documentation, such as a purchase receipt, invoice, or billing.

In another instance, it was determined that you and two other union members received checks from the International in the amount of \$1,080.00 each for per diem while attending the International's convention in Las Vegas, Nevada in FY 2004. As all three had received checks from the local as cash advances for per diem, the money provided by the International should have been paid back to the local upon return. Two of the three rendered payment in full and you made three payments totaling \$835.00. A balance of \$245.00 is still outstanding. Further, while the payments could be traced in the bank statements, there was no other documentation at the local to support that the International had issued the checks nor was there any documentation to verify the reason as to why the checks had been issued in the first place. Additionally, there were no corresponding entries in the Minutes to substantiate any of the transactions.

Regarding the outstanding balance of \$245.00, you indicated that you would immediately address the matter with the membership at the next regularly scheduled monthly meeting to ensure that members were apprised of the debt. Further, you indicated that an appropriate entry would be recorded in the Minutes. When this has been done, please provide proof to this office as soon as possible, but not later than November 1, 2007, substantiating that the membership has been apprised of the situation, that full payment has been made, and that appropriate entries had been recorded in the Minutes.

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. Reimbursed Auto and Travel Expenses

Local 65B consistently did not retain adequate documentation for reimbursed expenses relating to per diem and mileage incurred during travel. For example, check [REDACTED] dated May 17, 2006, in the amount of \$685.00, made payable to David Hilburn, the local's chairperson of the business committee, indicated that the amount reimbursed was cumulative for per diem and mileage. There was no information, however, to indicate the rate of per diem per day and over what period of time the per diem had accrued. Similarly, there was no information to indicate the number of miles traveled nor the rate of pay reimbursed per mile.

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. Information Not Recorded in Meeting Minutes

During the audit, you stated that pursuant to the Bylaws, undated, Article 3, Section 5, the membership, and under certain circumstances the executive board, must approve all disbursements. Accordingly, officers and stewards are reimbursed their monthly union dues provided they attend the meeting during the month in which the dues had been deducted from their payroll checks. You indicated that the reimbursement of dues for the officers had been approved on April 9, 2005, with a corresponding entry having been annotated in the Minutes. However, during an examination of reimbursed officer and employee expenses for FY 2004, it was determined that the stewards had been reimbursed for their dues since at least November 2003. A corresponding entry approving the reimbursements could not be located in the Minutes.

Further, during the audit year, the local issued 13 checks in the cumulative amount of \$417.32 to various bakeries and catering services, apparently to purchase food stuffs to be consumed at monthly membership meetings and training functions. A corresponding entry in the Minutes to substantiate approval of the purchases could not be located. The Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings. For

recurring expenses, such as for food stuffs to be consumed at membership meetings, payment of regularly recurring utility bills, or the reimbursement of membership dues for selected officers and/or employees, a one time approval at the beginning of the year will suffice, but an approving entry must be indicated somewhere in the Minutes.

4. Lack of Salary Authorization

Local 65B did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursement to Officers) of the LM-3 report. With respect to monthly salaries, you indicated that the membership had authorized salary increases for three of the local's officers over what had been specified in the Bylaws, Article 9, delineating the amounts that the officers were to be paid. Specifically, the vice president's salary was increased from \$25.00 to \$50.00 per month, the financial secretary from \$150.00 to \$200 per month, and the chairperson of the business committee from \$50.00 to \$100.00 per month. You also advised that the membership had approved the financial secretary receiving an extra \$50.00 per month for cleaning the union hall, increasing her pay to a total of \$250.00 per month.

The salary increases, as evidenced through a review of the checks issued to the officers, were transacted throughout FY 2004 and 2006, the years in which the officer salaries had been examined. However, the Minutes of the meetings do not contain any reference to these salary increases having been approved. The union must keep a record, such as entries in the meeting Minutes, to show the current salaries authorized by the entity or individual in the union with the authority to establish salaries.

During the exit conference, you agreed that at the next regularly scheduled monthly membership meeting, the membership would be advised very specifically as to the rate of pay earned by each of the officers and employees. A specific detailed entry would also be made in the Minutes demonstrating that the membership is aware of the officer and employee salaries and has approved. Please provide proof that this has been accomplished to this office as soon as possible, but not later than November 30, 2007.

Local 65B is required to maintain sufficient financial records to demonstrate fiscal accountability for a period of not less than five years from the filing date of the last LM-3 report. In that regard, the local was not in possession of the Minutes for FY 2002 and 2003. For FY 2004, the Minutes pertaining to only one monthly

membership meeting could be found. The other 11 months were missing. During the audit, you indicated that James Merrell, Recording Secretary, had lost the Minutes when relocating residences.

Further, while the Minutes for FY 2005 and 2006 were available, many if not most of the entries were incomprehensible to the extent that even you could only speculate as to the meaning of much of the information. Without the Minutes, it is not possible to verify the authorization of most, if not all, of the disbursements.

You indicated that in the future, you will ensure that the Minutes, as well as all of the other financial records, will be maintained and safeguarded. You also indicated that the Minutes would be reviewed timely to ensure usability.

5. Lost Wages

Local 65B did not retain adequate documentation for lost wage reimbursement payments to any of the officers or members who accrued lost time. While the check stubs indicated the number of hours incurred, the hourly rate could only be determined through a review of the current collective bargaining agreement. There was no other documentation to correlate lost time hours to a specific rate of pay. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that there were eight claims for lost wages resulting from "negotiations," of which approximately half did not indicate the business that was conducted on the check stub. While the information was available at the employer in the form of letters requesting lost time, the information was not available at the union.

Based on your assurance that Local 65B will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

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 65B amended its constitution during FY 2004, but did not file a copy with its LM report for that year.

Other Violations

The audit disclosed the following other violation(s):

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local 65Bs officers and employees are currently bonded for \$7,500.00, but they must be bonded for at least \$7,851.66. Local 65B should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than October 1, 2007.

Other Issues

During the audit, you and Secretary Lacks advised that it is Local 65Bs practice for you to sign union checks in advance with Secretary Lacks signing later at the time of issuance. When those circumstances arise, you indicated that no one but Secretary Lacks reviews the checks before they are issued. Article 3, Section 5, of Local 65Bs bylaws requires that checks be signed by the president and treasurer. 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. However, the use of pre-signed checks for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 65B review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to you and Secretary Lacks for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials

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provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

[REDACTED]

Investigator

cc: Kathy Lacks, Financial Secretary