

**U.S. Department of Labor**

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Office of Labor-Management Standards  
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September 20, 2007

Mr. Conrad Wald, Treasurer  
Painters AFL-CIO  
Local 514  
42650 Fret Road  
Belleville, Michigan 48111

Re: Case Number: [REDACTED]  
LM File Number: 041-098

Dear Mr. Wald:

This office has recently completed an audit of Painters Local 514 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 Painters Local 514 Business Representative Scott Mikulen on January 18, 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 514's 2005 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

Local 514 did not record in its receipts records any information concerning two checks totaling \$1,209 that are listed on deposit tickets in June and July. As previously noted above, union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, the source of the money, and the purpose.

Local 514 did not record in its receipts records monies collected from the sale of 50/50 raffle tickets during monthly membership meetings. At the end of each meeting, a winner is randomly selected and awarded half of the money collected; the other half is used to purchase food and beverages for the next meeting. However, no records to account for the money collected and to identify the individuals who received prizes were maintained. With respect to the sale of 50/50 raffle tickets at membership meetings, records must be maintained, at a minimum, that explain the number of tickets sold, the price of each ticket, and the amount of money collected. If individuals sell tickets between membership meetings, then records must be kept that identify the name of each person who sells tickets and the date and amount of money that each person turns in to Local 514. Such records must show that the persons who sell tickets fully account for all of the tickets provided to them by returning any unsold tickets along with the money raised from sold tickets. All unsold tickets, and ticket stubs (if any), must be retained. With respect to raffle prize payments, Local 514 can most easily satisfy the recordkeeping requirement by preparing a list of the names of individuals who receive them.

In addition, Local 514 did not maintain sufficiently detailed records concerning the collection of funds from a golf outing. Although a deposit of \$2,636 was recorded in the September ledger, no records were kept regarding the date(s) the funds were received or the identity of the source(s). In addition to the records specified for raffle tickets, above, Local 514 must maintain copies of announcements or advertising for events it sponsors and all sign-up sheets or registration forms.

2. Failure to Retain Receipts Records

Local 514 failed to retain all receipts records for the required period of time. For example, Local 514 was unable to provide OLMS with receipts books for dues payments received from members in the field after July 11, 2005. In addition, Local 514 was unable to locate bank deposit tickets and transaction receipts for four deposits made in January and February. Local 514 must maintain such records, and all other required records, for at least five years after Local 514's annual financial report (Form LM-2, LM-3, or LM-4) is filed.

3. Officer Salaries and Expenses

Local 514 did not retain adequate documentation for travel expenses, reimbursed expenses, and other expenses incurred on behalf of union officers and employees totaling at least \$5,038.17. For example, Mr. Mikulen received check [REDACTED] in the amount of \$1,876.50 for reimbursement of a Local 514 golf outing. However, no receipts were retained in support of that payment. 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.

4. General Expenditures

Local 514 did not retain adequate documentation for checks written to outside parties totaling at least \$4,671.62. For example, check [REDACTED] was issued to [REDACTED] for \$1,450, and 12 checks totaling \$906.62 were issued to the Greater Detroit Building Trades Council, but no receipts or billing statements were retained in support of those payments.

5. Bank Account Records

In addition to the bank records noted in Item 2, above, Local 514 failed to retain at least two bank statements and three voided checks. As previously noted above, all bank records must be retained for all accounts.

Based on your assurance that Local 514 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(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 514 amended its bylaws on January 4, 2006, but did not file a copy with its LM report for that year. Local 514 has now filed a copy of its bylaws.

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 514 for fiscal year ending December 31, 2005, was deficient in the following areas:

1. Disbursements to Officers

Local 514 did not include in the amounts reported in Item 24 (All Officers and Disbursements to Officers) payments totaling \$3,150 made to officers to attend a July 2005 conference in St. Louis. Workpapers provided by Local 514's accountant indicate that the disbursements were erroneously included in Item 54 (Other Disbursements).

The union must report most direct and indirect disbursements to Local 514 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 may be reported in Item 48 (Office and Administrative Expense).

2. Interest From Certificates of Deposit

Local 514 overstated interest earned on its certificates of deposit by approximately \$5,299 in Item 41 (Interest & Dividends). It also erroneously reported the purchase of \$8,678 of investments in Item 52 (Purchase of Investments & Fixed Assets) even though none were made. Local 514's accountant advised OLMS that he included in Items 41 and 52 all of the interest earned on the CDs dating to the time they

were initially purchased. Only the interest and dividends earned, and the total disbursements for investments and fixed assets made, during the reporting period are to be included in these items.

### 3. Certificates of Deposit and Bank Accounts Reported as Investments

Local 514 improperly included the value of a certificate of deposit, a savings account, and a money market account as investments in Item 28 (Investments) rather than in Item 25 (Cash). Item 25 should include all cash on hand (i.e., undeposited cash, checks, and money orders; petty cash; and cash in safe deposit boxes) and all cash on deposit (i.e., funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money market accounts). Checking account balances reported should be obtained from the labor organization's books as reconciled with the balances shown on bank statements. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to the other and, therefore, the local should not report these transactions as receipts or disbursements.

### 4. Raffles

Local 514 failed to report any of the 50/50 raffle ticket money collected and awarded during monthly membership meetings. The totals of such amounts should be reported in Items 44 (Other Receipts) and 54 (Other Disbursements), respectively.

Local 514 agreed that, in the future, it will file a copy of its bylaws with its annual financial report when changes are made to the bylaws. In addition, Local 514 filed an amended Form LM-3 for fiscal year ending December 31, 2005, to correct the deficient items discussed above and has agreed to properly report the deficient items on all future reports it files with OLMS.

## Other Issues

### 1. Retention of Canceled Checks

At the time of the audit, Local 514 did not have in its possession original canceled checks. As we discussed during the exit interview, Local 514 is permitted to use a truncated checking account (an account in which original canceled checks are not returned to the account holder), only if the financial institution retains the original checks or complete, clear, and legible images of the front and back sides of original

checks for the required five years, and provides the checks (originals or copies) to Local 514 without substantial delay. I recommend that you discuss with the bank the requirement that the records be maintained for five years, and ensure that the bank meets this requirement. If the bank does not maintain original or imaged canceled checks for five years, you must make arrangements for Local 514 to do so.

2. Dues Paid Directly by Members

To prevent, or at least inhibit, the misuse or embezzlement of their funds, most organizations including corporations, banks, etc., install internal controls over the handling of their finances. Adequate internal financial controls are essential in order for a union to fulfill its obligations under Titles II and V of the LMRDA. One such control that OLMS recommends Local 514 adopt is a requirement that members pay their dues by personal check or money order, rather than in cash. In addition, although Local 514 utilizes a duplicate receipt system to record the collection of dues, it should, in cases where more than one duplicate receipt book is in use, maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned. Furthermore, Local 514 officers should consider performing a cash count when money is turned over to another officer and sign a receipt that documents the parties involved and the date and amount of funds handed over.

3. Vouchers

Another financial safeguard that Local 514 should consider is to require the preparation of a payment voucher prior to issuing a union check. Payment vouchers normally contain an explanation of the disbursement being made. Invoices, bills, receipts, etc., that are being paid are normally attached to the payment voucher. Even where supporting records are not attached, the explanation included on the voucher may be useful in providing documentation concerning a particular disbursement represented by a canceled check.

I want to extend my personal appreciation to Painters Local 514 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make

Mr. Conrad Wald  
September 20, 2007  
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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,

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Investigator

cc: Justin Carpentier, President  
Scott Mikulen, Business Representative