

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Boston District Office
Room E-365
JFK Federal Building
Boston, MA 02203
(617)624-6690 Fax: (617)624-6606



March 31, 2008

Mr. Robert Woodward, President
Graphic Communications, IBT
Local 22C
147 Victoria Lane
North Waterboro, ME 04061

LM File Number 040-162
Case Number: [REDACTED]

Dear Mr. Woodward:

This office has recently completed an audit of Graphic Communications Local 22C 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 Secretary-Treasurer Wayne Bailey on March 26, 2008, 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 22C's 2006 records revealed the following recordkeeping violations:

1. General Expenses

Local 22C did not retain adequate documentation for regular payments made on the union's cellular phone totaling at least \$527.81. For example, the union did not maintain sufficient documentation for at least seven months worth of phone bills.

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. Lost Wages

Local 22C did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$980.04. 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 Local 22C did not maintain any type of record of lost wages and advised officers on the necessity of maintaining a lost time voucher or other record containing adequate information or documentation.

3. Receipts Records

Local 22C did not maintain sufficient records to substantiate the source of at least \$574.86 in receipts. During the exit interview, Secretary-Treasurer Wayne Bailey advised that these funds were received from the direct payment of member dues or initiation fees and from the sale of union shirts. Union receipts records must

include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

4. Receipt Dates not Recorded

Entries in Local 22C's general ledger reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Local 22C 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 22C for the fiscal year ending December 31, 2006 was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away shirts totaling at least \$413.81 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union

can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers

Local 22C did not include some reimbursements to officers totaling at least \$428.04 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 22C 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).

3. Total Receipts/Total Disbursements Reported

It appears that the cash figures reported by the union in Item 44 (Total Receipts) and Item 55 (Total Disbursements) are not the cash figures according to the union's books. The total receipts figure as determined by the total of all receipts recorded in the union ledger is \$39,445.86. The total disbursements figure as determined by the total of all expenditures recorded in the union ledger is \$39,303.75. It appears that this discrepancy results from the union's failure to account for outstanding checks that were written during the audit period. Instructions for Form LM-3 indicate that the purpose of Statement B (Receipts and Disbursements) is to report the flow of cash in and out of the labor organization during the reporting period. Under Statement B, receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization.

4. Other Receipts

Local 22C did not include at least \$302 in other income in Item 43 (Other Receipts). It appears that these receipts were erroneously reported in Item 38 (Dues). During the exit interview, Secretary Treasurer Wayne Bailey advised that this income could be attributed to receipts from the sale of extra union shirts to members. The instructions for Form LM-3 explain that Item 43 should include the proceeds from the sale of supplies, loans obtained, repayment of loans made, rents, and funds collected for transmittal to third parties.

5. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

I am not requiring that Local 22C file an amended LM report for 2006 to correct the deficient items, but Local 22C has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policies

As was discussed during the exit interview with you and Secretary-Treasurer Bailey, the audit revealed that Local 22C does not have a clear policy regarding certain expenses of union officers, specifically regarding the union cellular phone and the union's payment of officer dues. On March 7, 2004, union meeting minutes document the unanimous approval of a cellular phone for use by the chapel chairman. Authorization of the nature and amount of expenses related to the phone, however, were not specifically authorized. Additionally, during the course of the audit, union officers advised that it is the past practice of Local 22C to reimburse officers for their yearly dues payments. OLMS recommends that Local 22C adopt written guidelines concerning such matters.

2. Lost Time Policy

During the opening interview, union officers explained that Local 22C reimburses officers and members for time lost from work in the course of conducting union business. Officers also advised that lost wages may be claimed for hours when the officer or employee would not have been paid by their employer. OLMS recommends that Local 22C adopt written guidelines concerning such matters.

3. Check Signatories

During the audit, Secretary-Treasurer Bailey advised that he is the only signatory on checks. However, the addition of a second check signatory allows for the individual to attest to the authenticity and purpose of a completed check. A two signature requirement is an effective internal control of union funds. OLMS recommends that Local 22C review these procedures to improve the internal control of union funds.

I want to extend my personal appreciation to Graphic Communications Local 22C 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,

Mark Letizi
District Director

cc: Wayne Bailey, Secretary-Treasurer