

U.S. Department of Labor

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August 27,2008

Mr. Andrew Nolan, Financial Secretary-Treasurer
Stage and Picture Operators AFL-CIO
Local 8
2237 Hartranft Street
Philadelphia, PA 19145

LM File Number 037-088

Case Number: [REDACTED]

Dear Mr. Nolan:

This office has recently completed an audit of Stage and Picture Operators Local 8 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 Business Agent Michael Barnes, President Chip O'Shea, Vice President Anthony Tortorice, and you on August 21,2008, 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 Violation

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 8's 2007 records revealed the following recordkeeping violation:

Failure to Maintain Adequate Supporting Documentation (Credit Cards)

Although Local 8 maintained the majority of supporting documentation for disbursements, Local 8 did not retain adequate documentation for disbursements incurred by credit card by Michael Barnes, Chip O'Shea, Anthony Tortorice, and you totaling at least \$5,864.98. For example, the local did not maintain all receipts for restaurant charges totaling approximately \$820.47.

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.

Based on your assurance that Local 8 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 violations 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-2) filed by Local 8 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 8 did not include some reimbursements to officers and employees / payments to officers and employees totaling at least \$4,781.83 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to

Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

2. 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 8 amended its constitution and bylaws in 2003, but did not file a copy with its LM report for that year.

Local 8 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 8 file an amended LM report for 2007 to correct the deficient items, but Local 8 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

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.

The audit revealed that Local 8's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issues

1. Personal use of Credit Cards

Although Local 8 does not permit officers and employees to use union credit cards to pay for personal expenses, the audit revealed that officers charged personal expenses totaling approximately \$288.36 in 2007. OLMS does not recommend personnel to make personal purchases with union credit cards because this may lead to misuse of union funds. These charges were repaid prior to our initial meeting on June 4, 2008. The officers have agreed to be more diligent regarding this matter in the future.

2. Duplicate Receipts

Members of Local 8 pay for working stamps directly to the union. Office Secretary Stacey McBride records stamp payments in the union's computerized spreadsheet, and a duplicate receipt is issued to the paying member. The audit revealed that in two instances, members were not issued duplicate receipts for their direct payment to the union. OLMS recommends that Local 8 follow their implemented duplicate receipt system for every direct payment issued to the union from the members. 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.

Mr. Andrew Nolan
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I want to extend my personal appreciation to Stage and Picture Operators Local 8 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: Chip O'Shea, President
Michael Barnes, Business Agent