

**U.S. Department of Labor**

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March 11, 2008

Mr. Larry Clonce, Secretary/Treasurer  
Graphic Communications, IBT  
Local 400  
139 Riverfront Drive  
Rogersville, TN 37857

LM File Number 042-485  
Case Number: [REDACTED]

Dear Mr. Clonce:

This office has recently completed an audit of Graphic Communications, Local 400 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, Tony Christianson and Steve McCullough on February 28, 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 400's 2007 records revealed the following recordkeeping violations.

1. Reimbursed Auto Expenses

Karen Hayes, union steward received reimbursement for business use of her personal vehicle. The union did not retain adequate documentation to support payments to her totaling at least \$28.00 during 2007. The union must maintain records which identify the dates of travel, locations traveled to and from, number of miles driven and the rate of reimbursement. 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.

2. Lost Wages

Local 400 did not retain adequate documentation for lost wage reimbursement payments to union stewards Karen Hayes, Balamoral Cruz and Jerry Donels totaling at least \$388.84. 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 400, documented lost time of the officers and stewards however the documentation consisted of a one sheet summary in which the employees name was listed with the total amount disbursed. The summaries did not adequately describe the purpose of the lost time, the rate of pay or the total hours lost.

3. Failure to Record Receipts

Local 400 did not adequately record in its receipts records member's dues receipts for at least \$58.50. Specifically, Local 400 Member, [REDACTED] made at least one cash dues payment of \$58.50 which was reviewed during the audit period. The receipt of payment was documented by a handwritten note on a union record which listed his name, the amount paid and that it was for 2007. 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. Lack of Salary Authorization

Local 400 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amount and therefore, correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 400 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 400 for fiscal year ending August 31, 2007, was deficient in that:

Local 400 did not include reimbursements to officers totaling at least \$311.81 in the amounts reported Item 24 (All Officers and Disbursements to Officers). During the audit it was revealed that former President, [REDACTED] received at least seven reimbursements totaling \$938.44 which should have been reported as "other disbursements" in Item 24 of the report. Additionally, Local 400 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to Local 400 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).

I am not requiring that Local 400 file an amended LM report for 2007 to correct the deficient items, but Local 400 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Violations

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 400's officers and employees are currently bonded for \$10,000, but they must be bonded for at least \$13,951.46. Local 400 promised to obtain adequate bonding coverage for its officers and employees immediately. On March 10, 2008 OLMS received Certificate of Bond # [REDACTED] from Local 400 which revealed that the bond has been increased to \$15,000.

#### Other Issues

During the audit, you advised that former President, [REDACTED], and you are the named signatories on the checking account. You acknowledged that it is a common practice for checks to be endorsed with only one signature, in most cases yours. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the legitimacy and authenticity of the disbursement. OLMS recommends that Local 400 update the signatory list, remove former officers and review these procedures to improve internal control of union funds.

During the audit it was also discovered that the union's CD allows for withdrawal with the signature of only one of the authorized signatures, you or [REDACTED]. Again, an effective internal control would be to require at least two signatures to allow withdrawal of funds from the CD. OLMS recommends that Local 400 update the

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signatory list, remove former officers and review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Graphic Communications, Local 400 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,

A solid black rectangular box used to redact the signature of the investigator.

Investigator

cc: Steve McCullough  
Tony Christianson