

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Nashville District Office
233 Cumberland Bend Drive
Room 110
Nashville, TN 37228
(615)736-5906 Fax: (615)736-7148



October 9, 2009

Mr. Bradley Burdine, Secretary-Treasurer
Graphic Communications, IBT
Local 290-M
5475 Marion Road
Cunningham, TN 37052

LM File Number 537-342
Case Number: [REDACTED]

Dear Mr. Burdine:

This office has recently completed an audit of Graphic Communications Local 290-M 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 Vice-President Ralph Melton on September 14, 2009, 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.

The CAP disclosed:

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 290-M's June 30, 2007 and June 30, 2008 records revealed the following recordkeeping violations:

1. Lost Wages

Local 290-M did not retain adequate documentation for lost wage reimbursement payments to union officers and employees totaling at least \$9,136.43. 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 290-M used checks stubs to reflect disbursements for lost wages, but the stubs did not indicate the date the lost wages were incurred, the number of hours lost on each date and the pay rate.

During the audit, I provided a sample of an expense voucher Local 290-M may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

2. Lack of Salary Authorization

Local 290-M did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was 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.

3. General Reimbursed Expenses

Local 290-M did not retain adequate documentation for reimbursed expenses incurred by former Vice-President Patsy Shepherd totaling at least \$450.00. The local reimbursed Ms. Shepherd \$75.00 per month to maintain a fax line. The union must maintain records such as meeting minutes to verify any authorizations for reimbursed expenses.

4. Receipt Dates not Recorded

Entries in 290-M's duplicate receipt records and check stubs did not reflect 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.

5. General Expenses

Local 290-M disbursed at least \$3,521.36 during the audit years in which the supporting documentation for the disbursements was not maintained. For example, the local incurred expenses totaling at least \$1,358.11 in which no receipts were maintained. In addition, the local did not maintain cancelled checks totaling at least \$2,163.25. 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. The labor organization must also retain bank records for all accounts.

Based on your assurance that Local 290-M 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 LM-3 filed by Local 290-M for fiscal year ending June 30, 2008, was deficient in the following areas:

1. Disbursements to Officers

Local did not accurately report salaries and reimbursements to officers in the appropriate columns in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported salaries and lost wages in Column E. The LM-3 instructions require unions to report gross salary of each officer (before tax withholdings and other payroll deductions) in Column D, as well as disbursements for "lost time" or time devoted to union activities.

2. Sale of Supplies

Local 290-M did not correctly report receipts from the sale of supplies. The audit revealed that during fiscal year ending June 30, 2008, Local 290-M collected receipts totaling at least \$349.00, but recorded the receipts in Item 38 (Dues). The LM-3 instructions require that the union report receipts from the sale of supplies in Item 43 (Other Receipts). In addition, it must report the value of any supplies for resale on hand at the beginning and end of the year in Item 28 and Schedule 7 (Other Assets).

3. Assets not Reported in Statement A

Local 290-M failed to report in Item 29 of Statement its printer and fax machine. The LM-3 instructions require unions to report in Columns A and B, respectively, the book value at the start and end of the reporting period of all fixed assets, such as land, buildings, automobiles, and office furniture and equipment owned by your organization.

4. 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 290-M amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year. As agreed, Local 290-M will attach a copy of its current constitution and

bylaws to its LM-3 report for fiscal year ending June 30, 2009, and file with OLMS as soon as possible but no later than September 30, 2009.

Other Issues

1. Signing Blank Checks

During the audit, you advised that President David Black signs blank checks. Your union's bylaws require that all 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 290-M review these procedures to improve internal control of union funds.

2. Lost Time Disbursements

The audit revealed that some members may have not been entitled to receive lost time payments while working on union business. For example, the audit disclosed that Local 290-M overpaid former President [REDACTED] \$111.00 in lost wages incurred around February 20 & 21, 2007. [REDACTED] received \$543.00 in lost wages, but should have received \$432.00.

President David Black received from the local \$442.80 in lost wages to attend contract negotiations held on April 14 and 15, 2008. President Black also received wages from his employer on those same dates. In addition, the local paid President Black \$225.00 in lost wages to attend contract negotiations held on March 12, 2008. On the same date, President Black received paid vacation from his employer.

OLMS recommends that the local union review employer time sheets prior to issuing lost time payments to members. This measure will help to ensure that lost time disbursements are proper and accurate.

3. Union Assets

The audit revealed that former Vice-President Patsy Shepherd had possession of the local's printer, even though she is no longer in office. All assets, financial records and other documents belonging to Local 290-M should be in the

possession of the appropriate officers. Union officials must account for all assets owned by the local. This will ensure proper reporting of the assets on the LM reports.

4. Unauthorized Trips

Former President [REDACTED] attended a meeting in Houston, Texas sometime in September 2007 without approval. According to Article XXX, Chapter 8.1 of the Graphic Communications Conference of the International Brotherhood of Teamsters constitution, the Executive Board shall determine and govern in respect to matters of policy, the funds, properties, and financial affairs of the local union.

[REDACTED] was reimbursed \$80.73 for lodging expenses that he incurred while in Houston. However, [REDACTED] did not stay at the hotel, but decided to stay with relatives instead. Section 501 of the Labor-Management Reporting and Disclosure Act of 1959 outlines general fiduciary responsibility for officers and employees of labor organizations. Union officials occupy positions of trust, and therefore, must ensure that the union's funds and other assets are used solely for the benefit of the union and its members.

I want to extend my personal appreciation to Graphic Communications Local 290-M 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.

I am not requiring that Local 290-M file an amended LM report for June 30, 2008 to correct the deficient items, but Local 290-M has agreed to properly report the deficient items on all future reports it files with OLMS.

Sincerely,

[REDACTED]

Investigator

cc: David Black, President