

**U.S. Department of Labor**

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March 30, 2009

Mr. David Woods, Financial Secretary/Business Agent  
Bakery, Tobacco & Grain AFL-CIO  
Local 25  
3922 Volunteer Drive, Box 6  
Chattanooga, TN 37416

LM File Number 001-797

Case Number: [REDACTED]

Dear Mr. Woods:

This office has recently completed an audit of Bakery, Tobacco & Grain Local 25 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, Assistant Business Agent Jeff Webb, and Office Secretary Thomas Kelly on December 15, 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.

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 25's 2007 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 25 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$174.67. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 25 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, there were meals totaling at least \$850.95 in which neither the receipts nor the officer's daily reports reflected the meal purposes. In addition, there were several meal purchases in which the union official did not identify the attendees. For example, on May 18, 2007, the union held a dinner for its retired members which totaled \$376.46. However, the records did not identify the attendees present at the meal. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

2. Disposition of Property

Local 25 did not maintain an inventory of T-shirts it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28.

3. Information not Recorded in Meeting Minutes

During the exit interview, Mr. Kelly advised OLMS that the membership approved his salary as the union's part-time office secretary, as well as the new salaries for the financial secretary/business agent, and assistant business agent. Local 25 bylaws, Section 22, state that "The salary and expenses of the Financial Secretary/Business Agents to be set by the Executive Board and approved by the membership." The executive board meeting minutes dated April 24, 2007 reflected approval of these salaries, but the membership meeting minutes do not contain any reference to this issue. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

4. Expense Policy

As noted above, Local 25 bylaws require the expenses of the Financial Secretary and Business Agents to be set by the executive board and approved by the membership. Local 25 did not have a written policy concerning reimbursed expenses for the aforementioned officers.

Based on your assurance that Local 25 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-2 filed by Local 25 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. 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 25 amended its constitution and bylaws in 2000 and added an additional amendment dated September 20, 2005, but did not file a copy with its LM reports for those years. The bylaws that you provided during the audit will be filed with the appropriate OLMS office.

2. Sale of Supplies (LM-2)

Local 25 did not correctly report receipts from the sale of supplies or disbursements for supplies for resale. The audit revealed that Local 25 disbursed an unknown amount for items that it re-sold to members and collected an undetermined amount of receipts from the sale of those items. The LM-2 instructions require that the union report receipts from the sale of supplies in Item 39 (Sale of Supplies) and disbursements for supplies for resale in Item 59 (Supplies for Resale). 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).

I am not requiring that Local 25 file an amended LM report for 2007 to correct the deficient items, but Local 25 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

Duplicate Receipts

Members of Local 25 purchase T-shirts directly from the union. Union officials or employees record these payments in the union's receipts journal, but they do not issue receipts to the buyers. OLMS recommends that Local 25 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. 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. David Woods  
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I want to extend my personal appreciation to Bakery, Tobacco & Grain Local 25 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: Jeff Webb, Assistant Business Agent