

U.S. Department of Labor

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Office of Labor-Management Standards
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August 25, 2009

Ms. Tina Saxton, Financial Secretary
Stage and Picture Operators
Local 112
P.O. Box 112
Oklahoma City, OK 73101

LM File Number 043-254
Case Number: [REDACTED]

Dear Ms. Saxton:

This office has recently completed an audit of IATSE Local 112 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 Stephen Rysted, Rick Carpenter, Lisa Cunningham, Kurt Loeffelholz, C.B. Bassity, Terry Underwood, Ron Boutin, and you on July 31, 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 the following:

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 112's 2008 records revealed the following recordkeeping violations:

1. Officer and Employee Expenses

Employees of your subsidiary Theatrical Payroll Services of Oklahoma (TPSO) failed to maintain adequate documentation for meal purchases totaling at least \$200. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded.

2. Disposition of Property

Local 112 failed to maintain an inventory of t-shirts which were purchased and sold or given away. Records must be maintained that account for all union property. In the case of union t-shirts, jackets and other items sold to members, the date and amount received from every sale must be recorded in at least one record.

3. Other

Local 112 failed to retain adequate documentation for all disbursements made in May and June 2008. Local 112 failed to retain receipts of purchases made in May and June 2008. Local 112 failed to retain cancelled checks from May and June 2008. TPSO failed to maintain supporting documentation for some ATM/Debit card transactions made by TPSO employees in that there was no record of the purpose of the disbursements, and receipts were not retained.

As agreed, provided that Local 112 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP 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 112 for fiscal year ending December 31, 2008, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 112 did not include some additional wage payments and reimbursements made to officers totaling at least \$3,346 in Item 24. TPSO did not report any of the salary or reimbursements paid to Business Agent Rick Carpenter totaling at least \$47,449 in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in Item 54 Other Disbursements.

All direct disbursements to Local 112 officers and some indirect disbursements made on behalf of its officers must be reported 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. An "indirect disbursement" to an officer is a payment to another party (including credit card companies) 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).

2. Cash Reconciliation

The figures Local 112 reported in Items 25A and 25B match Local 112's book figures. However, it appears that Local 112 failed to report all of their disbursements in Items 45-55 because Item 25A plus Item 44 minus Item 55 does not equal Item 25B. According to that calculation, Local 112's cash is short by \$461.

3. Referral Fees

It appears that referral fees totaling at least \$51,836 were mistakenly reported under Item 38 Dues instead of Item 40 Fees, Fines, Assessments, and Work Permits.

4. Failure to File Bylaws

The CAP 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 constitution or bylaw changes are made. Local 112 amended its constitution and bylaws in 1995, but a copy was not filed with its LM report for that year. A copy of Local 112's constitution and bylaws has now been filed.

Local 112 must file an amended Form LM-3 and TPSO must file an LM-2 for fiscal year ending December 31, 2008, to correct the deficient items discussed above. Enclosed are blank forms and instructions. Reporting forms and instructions are also available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 and amended Form LM-2 should be submitted to this office at the above address as soon as possible, but not later than September 18, 2009. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violations

The audit disclosed the following other violation(s):

1. 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.

Local 112's officers and employees are currently bonded for \$12,500, but that bond does not cover Local 112's subsidiary TPSO. TPSO employees are not bonded. Local 112 should obtain adequate bonding coverage to cover both Local 112 and TPSO officers and employees immediately. Local 112 and TPSO together must be bonded for \$125,000. Alternatively, TPSO could obtain bonding coverage for TPSO officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than September 18, 2009.

Other Issues

The audit disclosed the following other issues:

1. Expense Policy

As I discussed during the exit interview, the audit revealed that Local 112 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Flower Expense Policy

As I discussed during the exit interview, the audit revealed that Local 112 does not have a clear policy regarding who flowers can be purchased for, for how much, and on what occasions. OLMS recommends that unions adopt written guidelines concerning such matters.

3. Countersignature and Use of Signature Stamp

During the audit, TPSO Office Manager Lisa Cunningham advised that it is TPSO's practice for Business Agent Rick Carpenter alone to sign all TPSO checks via a signature stamp. Article VII of Local 112's bylaws requires that checks be signed by two officers. The second 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, the use by the primary signer of a signature stamp for the second signature does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the countersignature requirement. OLMS recommends that Local 112 and TPSO review these procedures to improve internal control of union funds.

4. Approval of TPSO's expenditures

Business Agent Rick Carpenter alone approves all of TPSO's expenses and signs all their disbursement checks. Section 5 of Article VIII of Local 112's bylaws states that the Business Agent "shall perform such duties as ordered by the membership or Executive Board" and shall "at all times be under the supervision of the Executive Board." Since TPSO is a subsidiary of Local 112, OLMS recommends

that their disbursements be approved in the same way as Local 112's disbursements.

5. Loans

During the audit year, TPSO advanced salary to office employees and Local 112 members. OLMS recommends against making loans to anyone. If a union is going to give travel advances or salary advances, they should advance less than the amount that is owed to prevent having outstanding loans to the union.

6. Officer and Employee Salaries

As I discussed during the exit interview, the audit revealed that Local 112 does not have anything in writing that clearly defines salaried officers' responsibilities. During the audit year, some officers were paid additional wages for various tasks such as attending pre-show meetings, testing equipment, and working in the union office in addition to their monthly salaries. OLMS recommends that Local 112 determine exactly what responsibilities officer salaries cover, instances of when officers can receive additional wages, and at what pay rate additional wages are paid.

I want to extend my personal appreciation to IATSE Local 112 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: President Stephen Rysted
Business Agent Rick Carpenter
TPSO Office Manager Lisa Cunningham