

U.S. Department of Labor

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January 30, 2009

Ms. Joan Brown, President
Bakery, Tobacco, & Grain Local 244
3737 W. National Avenue
Milwaukee, WI 53215-1007

LM File Number: 041-008
Case Number: [REDACTED]

Dear Ms. Brown:

This office has recently completed an audit of Bakery, Tobacco, & Grain Local 244 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, Financial Secretary Kathleen Odeja, and Chief Trustee Angelique Johnstone today, 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 244's 2007 records revealed the following recordkeeping violations:

1. Credit Card, Professional Fees, and Rental Expenses

Local 244 did not retain adequate documentation for credit card expenses incurred by Financial Secretary Kathleen Odeja totaling at least \$170.14. Local 244 has an Office Max credit card for office supplies; however, store receipts or itemized invoices were not retained for several purchases charged to that credit card. The credit card statement alone is not sufficient supporting documentation for such expenses.

In addition, Local 244 failed to maintain adequate documentation for legal fees, arbitration fees, and rent expenses totaling at least \$12,245.22. For example, Local 244 disbursed over \$3,600 to law firm Hawks, Quindel, Ehlke & Perry, but no supporting documentation was retained to explain the purpose of the expenses. Furthermore, 29 canceled checks for Local 244's rent and legal fees were not maintained with the Local's other canceled checks.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Receipt Dates and Sources not Recorded

Entries in Local 244's monthly financial report (the only receipt record) reflect monthly aggregated receipt totals and do not identify the date money was received, the sources, or the individual amounts. Receipts records must show the date, amount, and source of all receipts. 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 reporting some receipts on the LM-3 for a different year than the year it actually received them.

3. Lack of Salary Authorization

The audit revealed that officers (or give names) received salaries totaling \$10,954.56. However, Local 244 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 amounts and were therefore correctly reported. Local 244 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries. Please forward a copy of the record documenting the salary authorization to me at the above address at whatever time the authorizations are recorded in union records.

Based on your assurance that Local 244 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 244 for fiscal year ending December 31, 2007, was deficient in that:

Disbursements to Officers

Local 244 did not include reimbursements to officers totaling at least \$600 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). For example, Financial Secretary Kathleen Odeja received at least \$194.27 in reimbursed expenses. However, nothing was reported in Column E (Allowances and Other Disbursements). It appears these payments were erroneously reported in these payments in Item 48 (Office and Administrative Expense) and/or Item 54 (Other Disbursements).

Most direct disbursements to Local 244 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. 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 244 file an amended LM report for 2007 to correct the deficient item, but Local 244 has agreed to properly report the deficient item on all future reports it files with OLMS.

Other Issue

Two Signatures on Checks

During the audit, Financial Secretary Kathleen Odeja stated that only one signature is required on checks issued from Local 244's checking account and indicated that no one but her reviews the checks before they are issued. Article VI, Section 4 of Local 244's bylaws requires that 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. OLMS recommends that Local 244 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Bakery, Tobacco, & Grain Local 244 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: Ms. Kathleen Odeja, Financial Secretary
Ms. Angelique Johnstone, Trustee