

**U.S. Department of Labor**

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October 6, 2009

Mr. Gersh Fak, Financial Secretary  
Stage and Picture Operators  
Local 143  
6978 Chippewa Street, Suite 1  
St. Louis, MO 63109

LM File Number 011-747  
Case Number: [REDACTED]

Dear Mr. Fak:

This office has recently completed an audit of Stage and Picture Operators Local 143 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, Miron Vulakh, Errol Stanfield, and William Watkins on September 30, 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.

Recordkeeping Violation

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 143's 2008 records revealed the following recordkeeping violation:

#### Lack of Adequate Documentation for Disbursements

Local 143 did not retain adequate documentation for disbursements made from the local's account totaling at least \$300.00. For example, no documentation was retained for two checks written to Transamerica Worksite Market for \$104.50 each.

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

Based on your assurance that Local 143 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 143 for fiscal year ending December 31, 2008, was deficient in the following areas:

##### 1. Incorrect Figures Reported on the LM Report

It appears that the figures reported in Item 25(A) (Cash at Start of Reporting Period), Item 25(B) (Cash at End of Reporting Period), Item 44 (Total Receipts), and Item 55 (Total Disbursements) on Local 143's 2008 LM-3 report are not the correct figures according to the union's books after reconciliation to the bank statements. During the exit interview, I provided a copy of the instructions for Form LM-3. The

instructions identify account information that should be included in the items mentioned above.

## 2. Disbursements to Officers

Local 143 did not include some reimbursements to officers totaling at least \$1,190 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office & Administrative Expenses) or in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 143 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 Expenses).

Local 143 must file an amended Form LM-3 for fiscal year ending December 31, 2008, to correct the deficient items discussed above, which has already been submitted to this office.

### Other Violation

The audit disclosed the following other violations:

#### 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 143's officers and employees are currently bonded for \$5,000, but they must be bonded for at least \$8,746. Local 143 should obtain adequate bonding coverage for its

officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than October 16, 2009.

#### Other Issues

##### 1. Duplicate Receipts

Some members of Local 143 pay dues directly to the union. You record dues payments in the union's receipts journal, but you only issue receipts to dues payers who pay with cash. Members who pay their dues by check are not issued a receipt. OLMS recommends that Local 143 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.

##### 2. Signing Blank Checks

During the audit, you advised that checks are occasionally presigned. Article IV, Section 11C of Local 143's bylaws require that all checks be signed by two of the following officers: President, Recording and Corresponding Secretary, and/or Financial Secretary. 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 143 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to you, Mr. Watkins, and Mr. Stanfield 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: Miron Vulakh, Recording Secretary  
Errol Stanfield, President  
William Watkins, Business Agent