



June 6, 2011

Mr. Louis Franchimon, Business Manager  
Napa Solano BCTC  
2540 North Watney Way  
Fairfield, CA 94533

Case Number: [REDACTED]  
LM Number: 047361

Dear Mr. Franchimon:

This office has recently completed an audit of Napa Solano BCTC 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, Vice President Eric Franchimon and Executive Assistant Brenda Mattson on May 25, 2011, 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 the Napa-Solano BCTC's 2010 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

The BCTC did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by Business Manager Louis Franchimon. For example, receipts for gas expenses were not retained.

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.

2. Meal Expenses

The BCTC did not require officers and employees to submit itemized receipts for meal expenses. 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.

The BCTC records of meal expenses did not include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. 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.

3. Lack of Salary Authorization

The BCTC 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.

4. Information not Recorded in Meeting Minutes

During the audit, Mr. Franchimon advised OLMS that the council is the approval authority for all expenses. Article VII of the BCTC Constitution and Bylaws requires that disbursements from the council funds be approved by the council. However, the minutes of the meeting do not contain any reference to expenses for the prizes which are raffled off at the council events such as golf tournaments. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

5. Disposition of Property

The BCTC did not maintain an inventory of prizes and donations it purchased and gave away during their regular social events, such as golf tournaments and the annual crab feed. Additionally, no records were maintained to ensure the accuracy and security of funds received resulting from the sale of raffle tickets. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported on the LM-3.

6. Voided Checks

Voided checks were not retained.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file the Napa-Solano BCTC's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 the Napa-Solano BCTC for fiscal year ending June 30, 2010, was deficient in the following areas:

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. The Napa Solano BCTC amended its constitution and bylaws in 1997, but did not file a copy with its LM report for that year. The current copy of the union's constitution and bylaws was submitted during the audit.

#### Other Violations

##### 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.

The audit revealed that the BCTC officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

I want to extend my personal appreciation to Napa Solano BCTC 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: Mr. Ben Espinoza, President