

U.S. Department of Labor

Office of Labor-Management Standards
San Francisco District Office
90 7th Street, Suite 2825
San Francisco, CA 94103
(415) 625-2661 Fax: (415) 625-2662



November 22, 2011

Mr. Michael Scanlon, President
IATSE Local 107
P.O. Box 124
8130 Baldwin St.
Oakland, CA 94621

Case Number: [REDACTED]
LM Number: 005783

Dear Mr. Scanlon:

This office has recently completed an audit of IATSE Local 107 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, Business Manager Judson Owens, and Prior Business Manager [REDACTED] on August 23, 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 Local 107's 2010 records revealed the following recordkeeping violations:

1. Lack of Salary Authorization

Local 107 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 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.

2. Voided Checks

Voided checks were not retained.

Based on your assurance that Local 107 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 107 for the fiscal year ended December 31, 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. Local 107 amended its constitution and bylaws in 2009, but did not file a copy with its LM report for that year. The current copy of the union's bylaws was submitted during the audit.

Other Violations

The audit disclosed the following other violation:

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.

The audit revealed that Local 107's officers and employees were not bonded for the minimum amount required at the time of the audit. However, Local 107 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.

Other Issues

Signing Blank Checks

During the audit, prior Business Agent [REDACTED] advised that there were times when he signed blank checks. The union's records also show 94 checks with only [REDACTED] signature. Your union's policies require that all checks be signed by two officers. 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 107 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to IATSE Local 107 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,

[REDACTED]

Investigator

cc: Ms. Susan Osborne, Treasurer