



July 7, 2011

Mr. Robert Gilmore, Business Manager/Secretary-Treasurer
Painters District Council 81
5738 NW 2nd Street
Des Moines, IA 50313

Case Number: [REDACTED]
LM Number: 541815

Dear Mr. Gilmore:

This office has recently completed an audit of Painters District Council 81 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 and Office Manager Crickett Deal on June 30, 2010, 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 District Council 81's 2010 records revealed the following recordkeeping violation:

Cell Phone Policy

As we discussed during the exit interview, the audit revealed that District Council 81 does not have a clear policy regarding payments for cell phones assigned to and used by Council officers. OLMS recommends that unions adopt written guidelines concerning such matters. You agreed during our exit interview to remedy this either through an addition to your by laws or by notation in your membership meeting minutes.

Based on your assurance that District Council 81 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

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 District Council 81 for fiscal year ending June 30, 2010, was deficient in that:

Fund Transfers

Because District Council 81 officers are also members of their home locals, administrative dues are still paid by these officers to the district council. These dues are automatically deducted from the officers salary checks and paid to the council. Because these funds never actually leave the accounts of the district council, for the purposes of the Form LM-2 report, they should not be counted as new receipts and disbursements but fund transfers. We discussed this during the exit interview and you understood how this could artificially inflate the district council's receipts and disbursements for the report. We talked about how the current system is necessary for your internal records for per capita tax payments, which is fine, it just needs to be reported as fund transfers on the LM-2 report which you agreed to do in the future.

I am not requiring that District Council 81 file an amended LM report for 2010 to correct the deficient item, but District Council 81 has agreed to properly report the deficient item on all future reports it files with OLMS.

Other Issues

Use of Signature Stamp

During the audit, you advised that it is District Council 81's practice for you to review and sign all union checks and then Ms. Deal stamps the signature of President Mark Myers on the checks. You indicated that no one but you and Ms. Deal reviews the checks before they are issued. The District Council checking account requires two signatures for a check to be negotiated. 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, the use of a signature stamp

for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that District Council 81 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Painters District Council 81 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,

A solid black rectangular box redacting the signature of the investigator.

Investigator

cc: Mr. Mark Myers, President