



April 17, 2012

Mr. Rob Down, Financial Secretary/Treasurer  
Bakers Local 31G  
[REDACTED]  
Lincoln, NE 68521

Case Number: [REDACTED]  
LM Number: 017957

Dear Mr. Down:

This office has recently completed an audit of Bakers Local 31G 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 on April 6, 2012, 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 31G's 2008-2010 records revealed the following recordkeeping violations:

1. General Records and Reimbursed Expenses

Local 31G did not retain adequate documentation in general for the local which includes expense, income, deposit, and bank information. For example, the general ledger for the local was missing for February, March, and April of 2010, deposit slips for 2008 and 2010

were missing, back up for disbursements made in 2009 and 2010 were missing, and the March 2010 bank statement for the local's savings account was not maintained.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements as well as any and all financial records of the local. 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. Receipt Dates not Recorded

Entries in Local 31G's receipts ledger reflect the month for which the dues were withheld by the employer, but not the date money was actually received by the union. Union receipts records must show the date of receipt. 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 the union reporting some receipts for a different year than when it actually received them.

3. Disbursement Dates not Accurately Recorded

Entries in Local 31G's disbursements ledger did not reflect when checks were actually written. For example, check # [REDACTED] is recorded on the local's check stubs as written June 7, 2010, but is recorded in the ledger in May 2010. Although this check was a per capita payment based on membership numbers from May the check was not written until June and should be recorded accurately. Failure to record the correct date checks are written could result in reporting and accounting errors at the end of the year.

Because of the many recordkeeping errors the local was not able to keep accurate account balances on their books which could result in reporting errors.

4. Lack of Salary Authorization

Local 31G 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. During our opening interview you stated the salary authorization is in the local's bylaws. Article II(B)(5) which addresses officer compensation merely states that "salaries and expenses are set by majority vote of the membership at a General (monthly) Membership Meeting after recommendation has been made by a majority of the Executive Board". There was no record in the union's meeting minutes where a vote was held regarding officer compensation. 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.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 31G'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 Local 31G for the fiscal year ended December 31, 2010, was deficient in the following area:

##### 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 31G did not have a current copy of its bylaws on file with OLMS. A copy was provided during the course of the audit.

I want to extend my personal appreciation to Bakers Local 31G 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. Kurt Yeager, Director of Finance  
Mr. Steve Bertelli, Region 3 Vice President  
Mr. Steve Graff, President Local 31G