



July 25, 2012

Mr. Glen Lageman, Financial Secretary
Painters, AFL-CIO
Local Union 112
86 Bory Drive
Depew, NY 14043

Case Number: [REDACTED]
LM Number: 015-465

Dear Mr. Lageman:

This office has recently completed an audit of Painters, Local 112 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 Business Manager Mark Stevens, Office Employee Danielle Clarkson, Treasurer Greg Brown, Recording Secretary William Dellapenta, and you on July 19, 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 112's 2011 records revealed the following recordkeeping violations:

1. Failure to Maintain Reconciled Books

Local 112's audited records did not accurately reflect the cash in the bank when compared to the bank statements. The local maintained checks stubs which did not record accurately the amounts held in the union's account. The beginning and ending balances did not match the union's bank accounts and it appears the union had long standing errors which were not corrected in past years.

2. Failure to Record Receipts

Local 112 did not record in its receipt records some dues collected and deposited totaling at least \$5,399. For example, the union made a deposit in the amount of \$4,295.08 on May 11, 2011, however no entry was made in the union's books to reflect the deposit. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

3. Receipt Dates not Recorded

Entries in Local 112's books and official duplicate receipts sometimes reflected the date the union deposited money or the month in which dues were collected, but not the date money was received. 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.

It appears the union reported the months in which the union received dues from members, rather the date itself on duplicate receipts. Furthermore, the union's books (check stubs) only recorded the amount deposited, and either failed to include the correct date of deposit or failed to record a date entirely.

4. General Reimbursed/ Meal Disbursements

Local 112 failed to retain a few receipts for meals purchased or reimbursed during the period. For example, there was no receipt for \$35 for pizza purchased for a union meeting, reimbursed to President James Wolford. In addition, an insufficient receipt was retained from Bocces for \$150.

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. In addition, 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.

Based on your assurance that Local 112 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 / LM-3) filed by Local 112 for the fiscal year ended December 31, 2011, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Local 112 did not properly transfer the amount disbursed to officers from Item 24 (All Officers and Disbursements to Officers), Line 11 (Net Disbursements) to Item 45 on the form totaling at least \$2,361. It appears the union erroneously reported these payments in either Item 48 (Office & Administrative Expense) or Item 54 (Other Disbursements).

2. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Local 112's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements. The OLMS audit found that the beginning and ending balances used for the LM-3 were incorrect as reconciled to the balances shown on the bank statement. An explanation should be provided in Item 56 (Additional Information) to account for the discrepancy from the previous years' ending balance.

3. Bond Amount

Local 112 failed to report the correct amount recoverable under the organization's fidelity bond for loss caused by any officer or employee in Item 20 of the LM-3. The audit found the maximum amount recoverable was \$12,500, however only \$5,000 was reported on the form.

Local 112 must file an amended Form LM-3 for the fiscal year ended December 31, 2011, to correct the deficient items discussed above. I encourage Local 112 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than August 17, 2012 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

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I want to extend my personal appreciation to Painters, Local 112 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. Mark Stevens, DC4 Business Manager
Ms. Danielle Clarkson, DC4 Employee
Mr. Greg Brown, Treasurer
Mr. William Dellapenta, Recording Secretary