



August 13, 2013

Mr. Gregg Smith, Business Manager/Secretary-Treasurer  
Painters District Council 58  
940 California Avenue  
Collinsville, IL 62234

Case Number: 550-11719 [REDACTED]  
LM Number: 065819

Dear Mr. Smith:

This office has recently completed an audit of Painters District Council 58 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 President Ted Geggus on August 5, 2013, 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 58's 2012 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

District Council 58 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees. For example, a review

of reimbursements made by the council to Smith and Business Representatives William Francisco, Cy Austin, Chris Ragan, and Chad Anderson revealed adequate documentation was not retained for \$17,417.36 in reimbursements for general and credit card expenses.

As 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

District Council 58 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$3,244.46. 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.

District Council 58 records of meal expenses did not always 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. Union Owned/Leased Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2. District Council 58 incurred expenses for automobiles during 2012. However, District Council 58 did not maintain records documenting business versus personal use of the union vehicles.

The LM-2/LM-3 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 and 12 of the LM-2, allocated to the officer or employee to whom each vehicle is assigned. For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

4. Disposition of Property

District Council 58 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28.

The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items.

5. Fixed Assets

District Council 58 did not maintain an inventory of the fixed assets owned by the union. The union must report the value of any union property on hand at the beginning and end of each year in Item 27 of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 27.

6. Lack of Salary Authorization

District Council 58 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. As agreed, District Council 58 will provide OLMS with either a policy or record which shows the approved current salary levels for its officers and employees.

Based on your assurance that District Council 58 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 District Council 58 for the fiscal year ended June 30, 2012, was deficient in that:

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. District Council 58 amended its constitution and bylaws in 2009, but did

not file a copy with its LM report for that year. However, during the audit District Council 58 provided a copy of their most recent bylaws to be filed.

I want to extend my personal appreciation to Painters District Council 58 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. Ted Geggus, President