



August 30, 2013

Mr. Mark O'Donnell, Business Representative
Painters AFL-CIO Local 830
9748 S. Roberts Rd. #7
Palos Hills, IL 60465

Case Number: 310-23130 [REDACTED]
LM Number: 039030

Dear Mr. O'Donnell:

This office has recently completed an audit of Painters AFL-CIO Local 830 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 union attorney John Toomey on July 15, 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 Local 830's 2009 records revealed the following recordkeeping violations:

Credit Card Expenses

Local 830 did not retain adequate documentation for credit card expenses that you incurred totaling at least \$73.62. In July 2009, you charged this amount in lodging and meal expenses to the union's credit card account for which itemized receipts were not on file. Furthermore, Local 830 had no supporting documentation on file for credit card expenses for lodging and airfare that you incurred in July and August 2009 totaling at least \$853.60. Although Local 830 was reimbursed by an affiliate for these latter disbursements, the local union is nonetheless required to handle, record and document them in a manner compliant with the LMRDA. In particular, 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.

Meal Expenses

Local 830 did not have on file the itemized receipts for some of its meal expenses. 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, Local 830 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. The total of inadequately documented meal expenses was approximately \$329.00, including \$92.25 at Sammy's Pizza in November 2008 and \$140.00 at Henry's Pizza in December 2008.

Picket Pay, Lost Wages, and Consultant Fees

Local 830 did not retain adequate documentation for a lost wage reimbursement payment to a union steward of \$100.00 in April 2009. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 830's only record in support of lost wage payments was your notation in the cash disbursements journal, in which the number of hours and the applicable rate of pay were not given. Similarly, inadequate documentation was on file for two disbursements of \$80.00 each for picket pay to an executive board member in April and December 2009.

Local 830 also did not retain adequate documentation for monthly consultant fees paid to a union officer totaling at least \$825.00 in that the two records documenting the disbursements – billings submitted by the officer to the union and the checkbook register – were not consistent with one another with respect to the months for which the payments were made.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contains a sample of an expense voucher Local 830 may use to satisfy this requirement. The

sample identifies the types of information and documentation the local must maintain for lost wages and other officer expenses.

Disposition of Property

Local 830 did not maintain an inventory of t-shirts and watches it purchased, for a total of \$1,343.25, and gave away. While the union did create dated lists of the names of individuals who received t-shirts, it did not record the number of t-shirts on hand as it purchased and gave away the shirts. For the watches, the union did not record the dates they were given away, the names of the recipients, or the number of watches on hand at any given time. The union must record in at least one record the dates items are given away and the names, or if impractical, other general identification, of the recipients of the items.

General Disbursements

Local 830 did not retain adequate documentation for donations totaling \$400.00 to Painters Local 1332 in March and June 2009 for use of its hall during an organizing campaign. Local 830 had no supporting documentation on file for the disbursements. The union must retain adequate documentation for every disbursement, even if the payee does not issue any documentation to the union. If necessary, Local 830 should make a receipt for the payee to sign. Such a receipt should state the payee's name and organization, the amount and date of the payment, and the identity and union purpose of the goods or services rendered as well as the identities of those who received them.

Authorizations for Disbursements

As I discussed during the exit interview with you and Mr. Toomey, the audit revealed that Local 830 did not always authorize the disbursements that were made, and when it did, the authorizations were not always documented. Local 830 agreed to make disbursements only with clear authorization and to develop a system of recording and maintaining the authorizations.

Based on your assurance that Local 830 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Dues Receipts

Local 830's records for dues receipts did not fully verify, explain, and clarify the amounts paid by members. For example, for a dues check-off payment of \$1,542.75 from Meyer Steel Drum in October 2009, the breakdown of a portion of the total, \$343.30, was not provided by the company. Local 830 did not request the breakdown from the company. And, while Local 830 allocated the money among the company's employees in a reasonable manner, it did not document the reasoning or calculations behind the allocations. For the case of a self-pay member, the amount paid in July 2009 for dues for June 2009 was \$65.00, \$7.32 more than the amount calculated based on the hourly wage Local 830 initially told OLMS the member earned.

Local 830, however, did not have documentation either showing the member's precise wage at that time or on which the wage could be precisely calculated.

As Mr. Toomey pointed out, Local 830 is unique among Painters locals in the multi-class composition of its membership. Local 830 stated its intention to develop a system for recording the dues amounts that members in the various classes owe. OLMS recommends that Local 830 further develop a system for tracking for each of its members the variables with which their dues amounts are calculated.

Inventory of Assets

Local 830 does not maintain an inventory of its assets. In addition to the expected items of office furniture and equipment, the inventory should include smaller items, such as the digital camera and memory stick, totaling \$154.98, that you purchased with the union credit card in March 2009. The inventories of items such as t-shirts and watches that may require more frequent updating may be included on this inventory list or maintained separately, as best suits the union. Local 830 has agreed to maintain an inventory.

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 for fiscal year ended December 31, 2009 was deficient in the following areas:

Acquire/Dispose of Property

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered "Yes" because the union gave away t-shirts and watches totaling approximately \$1,343.25 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name on the report. The union can instead describe the recipients by broad categories if appropriate, such as "members" or "new retirees".

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 830 amended its bylaws in 2005 but did not file a copy with its LM report for that year. Local 830 filed a copy of its 2005 and 2012 bylaws during the audit.

I am not requiring that Local 830 file an amended LM report for 2009 to correct the deficient items, but Local 830 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

Use of Signature Stamp

During the audit, you advised that it is Local 830's practice for you to sign all union checks and to stamp the signature of the president on the union checks. You indicated that you are the only individual to review the checks before they are issued. Article VI, Section 2(a) of Local 830's 2012 bylaws and Section 157 of the International Constitution require that checks be signed by the president and the treasurer. 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 requirement for a second signature. OLMS recommends that Local 830 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Painters Local 830 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 used to redact the signature of the investigator.

Investigator