



January 29, 2013

Mr. Mark Howard, Secretary Treasurer
Graphic Communications Conference (IBT)
Local 17M
8149 Castleton Road
Indianapolis, IN 46250

Case Number: [REDACTED]
LM Number: 033964

Dear Mr. Howard:

The U.S. Department of Labor, Office of Labor-Management Standards recently completed an audit of Graphic Communications Conference (IBT) Local 17M under the Compliance Audit Program (CAP) to determine your organization's compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As we discussed during the exit interview with you, President Garry Foreman and Office Manager Cheryl Dunnivant on January 25, 2013, the CAP revealed the following problems which you have agreed to correct. The matters described below are not an exhaustive list of all possible problem areas since the CAP is limited in scope.

Recordkeeping Violations

LMRDA Title II 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 or on an attached voucher or expense report that fully describes the Five Ws (Who, What, When, Where, Why) about the transaction. 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 17M's 2012 records revealed the following recordkeeping violations:

1. Supporting Documentation for Disbursements

Local 17M failed to maintain supporting documentation for all disbursements. For example, Local 17M failed to retain the receipt, bill or invoice for a \$2,500 purchase of

sweatshirts from Custom Vinyl in February 2012. Also, Local 17M did not have supporting documentation, such as a written resolution or compensation policy, for Office Manager Dunnivant's Christmas bonus, which had been authorized and granted in December 2012 by you and President Foreman according to the union's custom in previous years.

2. General Reimbursed and Credit Card Expenses

Local 17M did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by you, President Foreman and Office Manager Dunnivant. For example, Local 17M failed to retain receipts from Holiday Inn for union meetings held in Anderson, Indiana.

During the exit interview, you explained that you did not have a receipt for tolls you paid while on union business in October 2012 because the toll booth was automated. In such circumstances, explain on your expense report why original supporting documentation is unavailable and clearly describe where and why the expense was incurred on behalf of the union.

As noted above, labor organizations must retain original receipts, bills and vouchers that are issued for all disbursements. You and President Foreman are required to sign Local 17M's annual LM-2, and you are each responsible under the law for properly maintaining union records.

3. Meal Expenses

Most of Local 17M's records for meal expenses did not include written explanations about the nature of union business conducted or the first and last names and titles of the diners. Such explanations are required. The records retained must also identify the names of the restaurants where the officers or employees incurred meal expenses, and most if not all records maintained by Local 17M met this latter requirement.

In addition, Local 17M is paying for meals that officials eat when not on overnight travel. Local 17M does not have written policies about reimbursed expenses; consequently, union credit cards and systems for reimbursing expenses are open to abuse. While I found no evidence of willful misuse, Local 17M is vulnerable without implementation of and strict adherence to written policies that reflect the fiduciary responsibilities demanded by law of its elected and employed officials.

4. Union Owned/Leased Vehicles

Local 17M did not maintain records necessary to verify the accuracy of information that should have been reported in Schedule 11 (All Officers and Disbursements to Officers) of the fiscal year 2011 Form LM-2. As we discussed during the CAP, the LM-2 instructions include specific rules for the reporting of automobile expenses. Local 17M must report operating and maintenance costs for each of its vehicles in Schedule 11 of the LM-2 and

allocate those costs to you and President Foreman since the vehicles are assigned to you and him. As supporting documentation for those reporting requirements, officers assigned vehicles should 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.

In addition, Local 17M failed to retain all receipts from credit card purchases of fuel for union vehicles. President Foreman explained he had not known about this requirement but agreed to comply with all future fuel purchases for his assigned union auto.

5. Lost Wages

Local 17M did not retain adequate documentation for lost wage reimbursement payments. 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. Local 17M's lost time vouchers did not contain descriptions of the business for which the claims were submitted. During the CAP, I gave Office Manager Dunnivant samples of expense vouchers used by other unions that satisfy this requirement. Local 17M has agreed to revise its vouchers.

6. Lack of Compensation Authorization

Local 17M did not maintain records verifying authorization for compensation to be disclosed in Schedules 11 and 12 and benefits to be reported in Schedule 20 of the 2012 Form LM-2 for you, President Foreman and Office Manager Dunnivant. The union must keep a record – such as meeting minutes, resolutions or written policy statements – that detail authorized compensation levels for its officers and employees.

I accept assurances made during the CAP by you, President Foreman and Office Manager Dunnivant that Local 17M will retain adequate documentation in the future as resolution of these recordkeeping violations. OLMS contemplates no additional enforcement action under these circumstances.

Reporting Violations

The CAP 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 Local 17M for fiscal year ending December 31, 2011 was deficient in the following areas:

1. Reportable Trust Funds

Local 17M failed to disclose all reportable trust funds in Items 10 and 69.

2. Certificates of Deposit

Local 17M reported CDs as investments in Item 26 and Schedules 3, 4 and 5 rather than as cash in Item 22.

3. Disbursements to Officers and Employees

- Local 17M failed to disclose President Foreman's honorarium in Schedule 11 as either salary or an allowance.
- Lost wages were disclosed in Schedule 20 as benefits rather than as salary in Schedule 11 for claimants who were officers or in Schedule 12 for claimants who were employees.
- Furthermore, Local 17M failed to list all officers in Schedule 11, including executive board members who are officers according to the union's bylaws. (As a reminder, all officers should be identified in Schedule 11 whether or not they receive compensation.)
- Local 17M disclosed reimbursed expenses in an itemization page for Schedule 19 when they should have been attributed to the recipients in Column F of Schedules 11 and 12 as appropriate.

(In 2012, Local 17M paid charges made by you and President Foreman for movies at hotels while you were both on business trips. Moreover, you and President Foreman used credit cards assigned to you by the union for personal purchases. Those transactions should be reported in Column G of Schedule 11 on the fiscal year ending December 31, 2012 Form LM-2. Reimbursement to the union made by you and President Foreman in 2012 should be reported in Schedule 14 of the 2012 Form LM-2.)

4. Automobile Expenses

As previously noted in the section for recordkeeping violations, operating expenses for Local 17M's vehicles that are assigned to you and President Foreman should be attributed to you both in Schedule 11 of the LM-2. That is not how they were reported on the 2011 Form LM-2.

The LM-2 instructions offer two methods for reporting operating expenses of union-owned or leased vehicles assigned to specific officials. In Schedules 11 and 12, as appropriate, the union may divide the expenses and report them in Columns F and G based on miles driven for union business (Column F) compared with miles driven for personal use (Column G).

Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer or employee in Column F of Schedule 11 or 12 with an explanation in Item 69 (Additional Information) that the vehicle was also driven part of the time for personal matters.

Similarly, if a vehicle assigned to an officer or employee was used less than 50 percent of the time for union business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the vehicle was more often driven for personal matters but sometimes for union business. Either method of LM-2 reporting necessitates that mileage logs be maintained by the officials to whom union vehicles are assigned.

LM-2 instructions also require disclosure as appropriate in Column F of Schedules 11 and 12 for reimbursed expenses directly paid to claimants who use personal vehicles while performing union business. For example, mileage reimbursement to Office Manager Dunnavant for her use of her personal vehicle to make Local 17M's bank deposits, meet with members about their pension benefits or conduct business at employers under contract to the union should be disclosed in Column F of Schedule 12.

5. Itemization of "Major" Receipts and Disbursements in Schedules 14 through 19

Local 17M did not properly report "major" transactions in Schedules 14 through 19 of the 2011 Form LM-2. A "major" transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B.

6. Benefits

Local 17M did not clearly and specifically identify in Schedule 20 of the 2011 Form LM-2 each of the benefit funds to which disbursements were made.

During the CAP, Office Manager Dunnavant and I met with Local 17M's accountants, who prepare the union's LM-2. We discussed these deficiencies with them, and they agreed to correctly report such transactions on future reports. Therefore, I am not requiring as part of the CAP that Local 17M file an amended LM-2 for 2011 to correct the deficient items; however, Local 17M has agreed to properly disclose the deficient items on all future reports it files with OLMS.

Other Issues

1. Reimbursement to Local 17M

As previously noted, you and President Foreman made personal charges with credit cards assigned to you by Local 17M. You and President Foreman have repaid Local 17M for some, but not all, of those charges. In addition, you and President Foreman charged meals to those credit cards during trips for which you also received per diem advances. I accept your explanations that neither of you knew those practices violate Teamsters' policies and that you were following Local 17M's past practices. You have agreed not to perform such

transactions in the future. Moreover, each of you has agreed to repay Local 17M the following amounts as full reimbursement:

Mark Howard	\$297.13
Garry Foreman	\$1,179.66

With your assurances about halting these practices and repaying Local 17M for these charges, OLMS will consider this issue resolved. However, future use of union credit cards for personal purchases or instances of “double-dipping” on reimbursed expenses could, based on circumstances, result in criminal prosecution. Furthermore, LMRDA Section 501(b) provides that a union member can sue an offending union representative for violating his or her fiduciary responsibility to recover damages on behalf of the labor organization, including the cost of litigation.

2. Extra Honorarium Check

Because of a clerical error, President Foreman received an extra honorarium check in 2012. To resolve this issue, President Foreman has agreed not to receive an honorarium payment for February 2013. I found no evidence that the extra payment involved maliciousness or willfulness.

3. American Express

President Foreman has assigned to him an American Express card that is for an account in the name of his predecessor in office, [REDACTED]. I recommend that Local 17M stop using this account and assign President Foreman a credit card in the name of the union rather than a former officer.

My thanks to you, President Foreman and Office Manager Dunnivant for the courtesy and cooperation shown to me during the CAP. Like we discussed in the exit interview, please use the results of the CAP as a learning experience to prepare for future audits by a parent organization and as a means for meeting your fiduciary responsibilities in the representation of Local 17M's membership. Also, please show this letter to other current officers and staff and retain it for reference by future officers. If ever we can provide assistance or information, please call me at (317) 535-3034 or call our Cincinnati District Office at (513) 684-6840.

Sincerely,

[REDACTED]
Senior Investigator

cc: Garry Foreman, President