

U.S. Department of Labor

Office of Labor-Management Standards
Philadelphia-Pittsburgh District Office
Suite 760W
170 S. Independence Mall West
Philadelphia, PA 19106
(215) 861-4818 Fax: (215) 861-4819



August 18, 2016

Mr. Edward Specht, Treasurer
Stage & Picture Operators Local 804
511 Michell Street
Ridley Park, PA 19108

Case Number: 140-6008253
LM Number: 016738

Dear Mr. Specht:

This office has recently completed an audit of Stage & Picture Operators Local 804 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 President James Spering and you on August 15, 2016, 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 804's 2015 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 804 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$507. 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.

Local 804 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. For example, during the audit year, the local's executive board attended a dinner in which Business Agent Debra Harris was reimbursed \$472 and President Spering was reimbursed \$35. The receipt did not identify the names and titles of the officers who incurred the restaurant charges. 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.

2. Receipt Dates not Recorded

Entries in Local 804's receipts journal and deposit records reflect the date the union deposited money, 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.

3. Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that the membership authorizes all union disbursements during monthly membership meetings. Article IV, Section 5 of your local's bylaws indicates that the recording secretary of your local must maintain meeting minutes of each meeting. However, Local 804 did not maintain meeting minutes for the months of September and October 2015. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

4. Union Officer Dues

During the audit, you advised that local union officers are not required to pay union dues. The union must keep a record, such as meeting minutes, to prove that this policy is authorized by the entity or individual in the union with the authority to establish such policy.

Based on your assurance that Local 804 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-3) filed by Local 804 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Local 804 did not include some reimbursements to officers totaling at least \$507 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 804 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Per Capita Tax Payments (Item 47)

Local 804 did not include payments to your local's parent international union, state and local central bodies, a conference, joint or system board, joint council, federation, or other labor organization totaling at least \$20,888 in Item 47 (Per Capita Tax) of the LM-3 Form. It appears as though these payments were erroneously reported in Item 54 (Other Disbursements).

3. 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 804 amended its constitution and bylaws in 1991, but did not file a copy with its LM report for that year.

Local 804 has now filed a copy of its most recently updated constitution and bylaws.

Other Issues

1. Duplicate Receipts

During the audit, you advised that occasionally members of Local 804 pay dues directly to the union. You record dues payments in the union's receipts records, but you do not issue receipts to dues payers. OLMS recommends that Local 804 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

2. Use of Signature Stamp

During the audit, you advised that it is Local 804's practice for you to sign all union checks and to stamp the signature of Trustee [REDACTED] on union checks. 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 two signature requirement. OLMS recommends that Local 804 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Stage & Picture Operators Local 804 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,

[REDACTED]
Investigator

cc: Mr. James Spering, President