



December 28, 2016

Mr. Joseph Rinehart, Financial Secretary
Painters Local 265
10160 Lancaster Drive
Mokena, IL 60448

Case Number: 310-6008690
LM Number: 044674

Dear Mr. Rinehart:

This office has recently completed an audit of Painters Local 265 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 Treasurer Michael Uylaki on December 16, 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 265's 2015 records revealed the following recordkeeping violation:

1. Failure to Record Disbursements

Local 265 did not record in its disbursement records some electronic disbursements and deductions totaling at least \$6,188.58. For example, on June 22, 2015, \$5,995.58 was deducted from Local 265's checking account for an IRS tax payment; however this deduction was not recorded in the union books. Union disbursement records must include an adequate record and identification of all money the union disburses. The records should show the date, payee, amount disbursed and the purpose.

Based on your assurance that Local 265 will record all disbursements in the union's books in the future, OLMS will take no further enforcement action at this time regarding the above violation.

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 LM-3 filed by Local 265 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Disbursements to Officers (Allowances and Other Disbursements)

Local 265 did not include per diem payments to officers totaling at least \$3,600 in the amounts reported Item 24E (Allowances and Other Disbursements). It appears the union erroneously reported these payments in Item 24D (Gross Salary).

The union must report the total of all other direct and indirect disbursements to each officer other than salary in Item 24E, including allowances, disbursements which were necessary for conducting official business of your organization, and disbursements essentially for the personal benefit of the officer and not necessary for conducting official business of your organization. Examples of disbursements to be reported in Column (E) include: allowances made by direct and indirect disbursements to each officer on a daily, weekly, monthly, or other periodic basis; allowances paid on the basis of mileage or meals; all expenses that were reimbursed directly to an officer; expenses for officers' meals and entertainment; and various goods and services furnished to officers but charged to your organization.

2. Disbursements to Officers (Gross Salary)

Local 265 did not report the total amounts of payments to an officer in Item 24D (All Officers and Disbursements to Officers - Gross Salary). The union must report in Item 24D all salary and lost-time payments to officers during the year. For example, check 6332 for \$129.18 (net)/\$167.00 (gross) was not included in total gross salary amount for Treasurer, Salvador Navarette.

The union must report the gross salary of each officer (before tax withholdings and other payroll deductions) in Item 24D as well as disbursements for “lost time” or time devoted to union activities

3. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Local 265’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.

4. Failure to File Bylaws

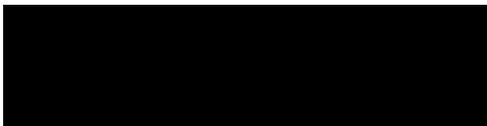
The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 265 amended its constitution and bylaws in 2012, but did not file a copy with its LM report for that year.

Local 265 has now filed a copy of its constitution and bylaws that were approved in 2012 as well as their current bylaws approved October 13, 2016.

I am not requiring that Local 265 file an amended LM report for 2015 to correct the deficient items, but Local 265 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Painters Local 265 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. Michael Langland, President