



August 16, 2017

Mr. Michael Barnes, President/ Business Manager  
Stage & Picture Operators Local 8  
2401 S. Swanson Street  
Philadelphia, PA 19148-4113

Case Number: 140-6010482 [REDACTED]  
LM Number: 037088

Dear Mr. Barnes:

This office has recently completed an audit of Stage & Picture Operators Local 8 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 on August 9, 2017, 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 8's 2015 records revealed the following recordkeeping violations:

#### 1. Credit Card Expenses

Local 8 did not retain adequate documentation for credit card expenses incurred by union officers and employees totaling at least \$4,061.74. For example, supporting documentation was not maintained for expenses incurred by Former Financial Secretary-Treasurer [REDACTED] on September 27, 2015 and November 3, 2015 at Holt Cigar Bar totaling \$615.10. You indicated that these disbursements were union expenses relating to Election Day and membership events. In addition, supporting documentation was not

maintained for a hand gun purchased by Former Financial Secretary-Treasurer [REDACTED] [REDACTED] totaling \$514.25. You advised that this was a legitimate union expense that properly approved by Local 8's Executive Board, and that the union is currently working with attorneys to legally recovery funds relating to this disbursement.

2. Petty Cash Disbursements

During the audit year, Local 8 spent at least \$6,483.52 in disbursements paid for by petty cash. Local 8 did not retain adequate documentation for disbursements made from the petty cash fund totaling at least \$1,993.25.

As previously 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.

3. Disposition of Property

Local 8 did not maintain an inventory of T-shirts 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.

4. Failure to Record Receipts

Local 8 did not record in its receipts records adequate identification of all money the union receives. For example, the union categorized receipts as "Miscellaneous Receivable" or "Other Income" totaling at least \$31,387.74. The records should show the date and amount received, and the source of the money.

5. Receipt Dates not Recorded

Entries in Local 8's general ledger 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-2. The LM-2 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.

6. Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that in November 2015 the membership authorized an increase in officer salaries. You also advised that in addition to the salary increase, the membership authorized you and Former Financial Secretary-Treasurer to receive retroactive pay dating back to September 2015. Article VII of the Local 8 Constitution, Bylaws and Rules, requires salary increases be approved by the Local 8 membership. Although the membership meeting minutes indicate that the union took the appropriate steps to approve a salary increase, the meeting minutes do not contain any reference to the approval of retroactive pay for you and Former Financial Secretary-Treasurer [REDACTED]. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

7. Vacation Pay

During the audit year, you and Former Financial Secretary-Treasurer [REDACTED] received one disbursement for "vacation pay." The union failed to maintain a record to support vacation time earned and used to verify that an appropriate amount of funds were issued.

Based on your assurance that Local 8 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 Local 8 for fiscal year ending December 31, 2015, was deficient in that:

Disbursements to Officers and Employees (LM-2)

Local 8 did not include some payments to officers and employees totaling at least \$3,296.76 in Schedule 11 (All Officers and Disbursements to Officers). These payments were essentially for the personal benefit of Former Vice President [REDACTED], Former Financial Secretary-Treasurer [REDACTED], and Former Executive Board Member [REDACTED], and not necessary for conducting official union business. The union failed to report these disbursements to officers in Column G (Other Disbursements) of Schedule 11.

I am not requiring that Local 8 file an amended LM report for 2015 to correct the deficient items, but Local 8 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issues

1. Personal use of Credit Cards

While Local 8 does not permit officers and employees to use union credit cards to pay for personal expenses, the audit revealed that officers charged personal expenses totaling \$3,296.76. Although in most instances officers and employees promptly repaid Local 8 for the personal expenses charged, OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds.

2. Duplicate Receipts

Members of Local 8 pay dues directly to the union. During the audit year, several Local 8 office staff employees were responsible for collecting and recording dues payments. Although Local 8 has a duplicate receipt system in place, OLMS recommends that Local 8 revise their duplicate receipt system where the union issues original pre-numbered receipts in sequential order and 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. 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.

3. Two Signature Requirement

During the audit, you advised that it is Local 8's practice for the president and financial secretary-treasurer to sign each union check. The audit revealed that in some instances, union checks were only signed by one signatory. 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. OLMS recommends that Local 8 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Stage & Picture Operators 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. Christopher O'Shea, Financial Secretary- Treasurer