



February 6, 2017

Mr. Danny Warren, President  
Bakery, Tobacco & Grain Local 316-G  
P.O. Box 296  
West Chicago, IL 60186

Case Number: 310-6009055  
LM Number: 060353

Dear Mr. Warren:

This office has recently completed an audit of Bakery Tobacco & Grain Local 316-G 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 Vice President Robert Kwosek on January 10, 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 316-G's 2015 records revealed the following recordkeeping violations:

1. Lost Wages

Local 316-G did not retain adequate documentation for indirect lost wage payments for union officers that were made payable to General Mills on several occasions. 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. For example, the OLMS audit found that the union did not maintain a record of the union business conducted by four officers in May 2015 for which General Mills was reimbursed approximately \$1,622.96.

2. General Reimbursed and Credit Expenses

Local 316-G failed to retain adequate documentation for a reimbursed expense to a retired member and credit card expenses incurred by union officers totaling at least \$1,400.00 and \$2,000.00, respectfully. For example, no supporting documentation was maintained for a \$1,400.00 reimbursement to retiree [REDACTED] on October 1, 2015 for the local's annual "Corn Boil" event. In addition, an itemized receipt was not maintained for a \$108.67 credit card transaction at Lumes Pancake House. 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.

Additionally, Local 316-G records of restaurant, grocery store, and entertainment 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, union records did not indicate the union purpose for a \$131.88 credit card transaction at Jewel and union records did not indicate the union business conducted or the names and title of persons who incurred a \$314.34 credit card transaction at Buffalo Wild Wings. With regard to entertainment expenses, union records did not indicate the union purpose for a \$238.00 credit card transaction at Hughs Creek Golf Club for green fees. Union records of restaurant, grocery store, and entertainment expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the charges. Also, the records retained must identify the names of the businesses where the officers or employees incurred the expenses.

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.

3. Disposition of Property

Local 316-G did not maintain an inventory of jackets, watches, bibles, and other property it purchased, sold, and gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. 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 30.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

Based on your assurance that Local 316-G 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 316-G for the fiscal year ended December 31, 2015, was deficient in the following areas:

#### 1. Acquire/Dispose of Property

Item 13 (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 jackets, watches, bibles and other property 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. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

#### 2. Fidelity Bond

Item 20 (What is the maximum amount recoverable under your organization's fidelity bond?) was incorrectly reported as \$60,000. Local 316-G has been covered by a fidelity bond since January 1, 2015 in the amount of \$50,000 which should have been correctly reported in Item 20.

#### 3. Cash Reconciliation

Local 316-G did not correctly report its start and end of reporting period cash in Item 25, columns A and B. It appears that \$10,000 in fixed assets were erroneously included in Item 25(A) and Item 25(B). It appears that the local's start and end of reporting period cash should have been reported as \$199,657 and \$122,586, respectively. As a result, Item 31 (Total Assets) and Item 37 (Net Assets) were also overstated by \$10,000. Item 25 must only include cash on hand and on deposit at banks, credit unions, and other financial institutions in checking, savings, money market, and certificate of deposit accounts. Item

25 should not include the value of investments, fixed assets, or other assets which are reported elsewhere in Statement A (Assets and Liabilities).

4. Value of Other Assets at Beginning and End of Year

Local 316-G did not report the value of jackets, watches, bibles and other property that it had on hand at the start of the reporting period and the end of the reporting period in Item 30 (Other Assets). The officers advised that Local 316-G may have had over \$4,000 of such property at the start and end of the reporting period. The LM-3 instructions require that the local report the value of any asset that cannot be reported elsewhere in Statement A (Assets and Liabilities) in Item 30.

5. 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 316-G amended its constitution and bylaws in 2011, but did not file a copy with its LM report for that year.

Local 316-G has now filed a copy of its constitution and bylaws.

Local 316-G must file an amended Form LM-3 for the fiscal year ended December 31, 2015, to correct the deficient items discussed above. I encourage Local 316-G to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than February 28, 2017 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

I want to extend my personal appreciation to Bakery Tobacco & Grain Local 316-G 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. Robert Kwosek, Vice President