



April 28, 2017

Mr. Chris Graeber, Treasurer  
Painters AFL-CIO Local Union 2345  
1155 Corporate Center Drive  
Monterey Park, CA 91754

Case Number: 520-6010205 [REDACTED]  
LM Number: 533-903

Dear Mr. Graeber:

This office has recently completed an audit of Painters Local 2345 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 April 28, 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.

#### 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 2345 for the fiscal year ended June 30, 2016, was deficient in the following areas:

1. Disbursements to Officers

Local 2345 did not include some reimbursements to officers totaling at least \$62,300.00 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 2345 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. Disbursements to Employees

Local 2345 did not include some reimbursements to employees totaling at least \$15,200.00 in the amounts reported Item 46 (To Employees). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense). The union must report most direct disbursements to Local 2345 employees and some indirect disbursements made on behalf of its employees in Item 46. A "direct disbursement" to an employee is a payment made to an employee in the form of cash, property, goods, services, or other things of value. See the instructions for Item 46 for a discussion of certain direct disbursements to employees that do not have to be reported in Item 46. An "indirect disbursement" to an employee 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 employee. 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 employee traveling on union business should be reported in Item 48 (Office and Administrative Expense).

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 2345 amended its constitution and bylaws in 2010, but did not file a copy with its LM report for that year.

As agreed, Local 2345 will file a copy of its current constitution and bylaws with OLMS as soon as possible but not later than May 12, 2017.

I am not requiring that Local 2345 file an amended LM report for 2016 to correct the deficient items, but Local 2345 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

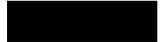
Use of Signature Stamp

During the audit, Treasurer Graeber advised that it is Local 2345's practice for Mr. Graeber to sign all union checks and to stamp the signature of President Terri Dunn on union checks. Section 203 (a) of your union's bylaws requires that checks be signed by the president and treasurer. 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 2345 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Painters Local 2345 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: Terri Dunn, President  
, Secretary