



September 26, 2017

Mr. Lance McCalla, Financial Secretary  
Painters, AFL-CIO, Local 33  
100 Republic Avenue  
Joliet, IL 60435

Case Number: 310-6011542 [REDACTED]  
LM Number: 031125

Dear Mr. McCalla:

This office has recently completed an audit of Painters Local 33 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, Treasurer Matthew Shepard and Business Representative Hugo Manzo on September 22, 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 Violation

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 33's 2016 records revealed the following recordkeeping violation:

General Expenses

Local 33 did not retain adequate documentation for a general expense. Supporting documentation was not maintained to support a \$10,923.40 check disbursement, dated January 16, 2016 to IUPAT General Secretary for per capita.

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.

Based on your assurance that Local 33 will retain adequate documentation 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 (Form LM-3) filed by Local 33 for the fiscal year ended December 31, 2016, was deficient in the following areas:

#### 1. Disbursements to Officers

Local 33 did not include reimbursements to officers totaling \$965.75 in Item 24E (All Officers and Disbursements to Officers – Allowances and Other Disbursements). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 33 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. Rental Receipts

Local 33 did not correctly report receipts from the rental of office space at the Local's building in Item 43 (Other Receipts). The audit revealed that during 2016, Local 33 collected rental receipts totaling approximately \$19,350; however, \$19,425 was reported in Item 43. The \$75.00 difference was attributed to a \$475.00 rental receipt from Twin Plaza Properties that was deposited into the union's checking account on December 31, 2015, yet was mistakenly reported as a receipt in Item 43, and a \$400.00 rental receipt from the Nurses Association that was erroneously reported in Item 38 (Dues). In accordance with the LM-3 instructions, all receipts must be recorded in Statement B (Cash Receipts) when money is actually received by the labor organization. Additionally, the LM-3 instructions require all receipts that cannot be

categorized in Items 38 through 42 to be reported in Item 43.

3. Building Fees

Local 33 did not report receipts received for building fees in Item 40 (Fees, Fines, Assessments and Work Permits). Local 33 collected \$30 annually as a building fee from members, but changed the amount to \$3.00 per quarter during the final quarter of the audit year; however, the total amount of fees collected appears to have been erroneously reported in Item 38 (Dues). The LM-3 instructions require receipts from fees, fines, assessments, and work permits to be reported in Item 40.

I am not requiring that Local 33 file an amended LM report for 2016 to correct the deficient items, but Local 33 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 Matthew Shepard advised that it is Local 33's practice for him to stamp his and Financial Secretary Lance McCalla's signature on union checks. Treasurer Matthew Shepard indicated that no one but himself reviews the checks before they are issued. Article VI of Local 33's Bylaws defers to Section 203 of the International's constitution regarding duties of the Treasurer, and Section 203 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 stamps does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 33 review these procedures to improve internal control of union funds.

During the exit interview Treasurer Shepard informed OLMS that his and Financial Secretary McCalla's signature stamps were destroyed.

I want to extend my personal appreciation to Painters Local 33 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. James Madonis, President