



January 9, 2018

Mr. Thomas Patton, President
Stage and Picture Operators Local 756
8669 Center Drive
North Royalton, OH 44133-4725

Case Number: 350-6010164
LM Number: 049-873

Dear Mr. Patton:

This office has recently completed an audit of Stage and Picture Operators Local 756 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 Secretary Treasurer Glenn Barry on November 30, 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 756's 2016 records revealed the following recordkeeping violation:

Lack of Salary Authorization

Local 756 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on assurance from Secretary Treasurer Glenn Barry that Local 756 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 756 for the fiscal year ended December 31, 2016, was deficient in the following areas:

1. Reporting Executive Board Officers

Local 756 did not report the names of at least six executive board officers in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

Section 3(n) of the LMRDA (29 U.S.C. 402) defines "officer" as "any constitutional officer, any person authorized to perform the functions of president, vice president, secretary, treasurer, or other executive function of the labor organization, and any member of its executive board or similar governing body."

2. Disbursements to Officers

Local 756 did not include some reimbursements to officers totaling at least \$314 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48. For example, reimbursements paid directly to Secretary Treasurer Barry and Business Agent Michael Patton should have been recorded by their names in Item 24 Column E – Allowances and Other Disbursements

The union must report most direct disbursements to Local 756 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).

3. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Local 756'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. Investments Reported as Cash

Local 756 improperly included the value of their investment account with USB Financial Services Inc. as cash in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers an investment as a grouping of financial assets that includes stocks, bonds, and cash equivalents, which are held in a portfolio managed by financial professionals. The local's investment account should be reported in Item 28 – Investments.

I am not requiring that Local 756 file an amended LM report for 2016 to correct the deficient items, but Local 756 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Duplicate Receipts

Members of Local 756 pay dues directly to the union. Secretary Treasurer Barry records dues payments in the union's receipts journal, but he does not issue receipts to dues payers unless requested. OLMS recommends that Local 756 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. 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. 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.

2. Signing Blank Checks

During the audit, Secretary Treasurer Barry advised that you sign blank checks. Your union's bylaws require that all 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 756 review these procedures to improve internal control of union.

I want to extend my personal appreciation to Stage and Picture Operators Local 756 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. Glenn Barry, Secretary Treasurer