



September 11, 2019

Mr. Bruce Peglow, President
Bakery, Tobacco and Grain, AFL-CIO, Local 22
312 Central Avenue SE
Suite 590
Minneapolis, MN 55414-1025

Case Number: 320-6016727 [REDACTED]
LM Number: 070251

Dear Mr. Peglow:

This office has recently completed an audit of Bakery, Tobacco and Grain AFL-CIO Local 22 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 Matt Ryder, and Vice President Walter Borgan on August 28, 2019, 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 22's 2018 records revealed the following recordkeeping violations:

1. Reimbursed Expenses and Per Diem Payments

Local 22 did not retain adequate documentation for reimbursed expenses incurred by you, Mr. Ryder, and Mr. Borgan totaling at least \$2,319. For example, adequate supporting

documentation was not retained for two reimbursements made to Mr. Ryder for office supplies purchased in August and September 2018 totaling \$520. In support of the expenses, the local only retained a check stub, which is not sufficient. In another example, adequate supporting documentation was not retained for per diem reimbursements made to you, Mr. Ryder, and Mr. Borgan totaling \$1,368 for attending the BCTGM International Convention in July 2018. The per diem payments were generally documented on expense vouchers. However, the vouchers did not identify how the per diem rates were calculated, the dates of travel, or the daily per diem rate. During the audit, Mr. Ryder advised that per the bylaws and guidance from the international, he used the "IRS High-Low Method" to calculate per diem rates. However, he was unable to show how he determined the amounts of the per diem payments made to the officers who traveled to the convention.

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.

In the case of per diem payments, Local 22 must keep records that identify the dates of travel, the location of travel (required to be determine the applicable per diem rate), the daily per diem rate, and the union business that required the per diem payments to be made.

2. Disposition of Property

The audit revealed that Local 22 purchased various gift cards totaling at least \$275 that it gave away at Local 22's picnic in May 2018. However, Local 22 did not maintain adequate records that identified the recipients of the gift cards. Records must be maintained which account for all union property. In the case of gift cards, records must be maintained to clarify and support information required to be reported by Local 22 in Statements A (Asset and Liabilities) and B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-2). The value of any gift cards or similar property on hand at the beginning and end of the year should be reported in Item 30 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the LM-2 report with the identity of the recipient(s) or donor of such property. Further, 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.

3. Lost Wages

Local 22 did not retain adequate supporting documentation for lost wage reimbursements made to various union members totaling at least \$4,421 during the audit year. 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. The audit found that Local 22 uses small slips of paper as vouchers for lost wage reimbursements, but in some instances the vouchers were not sufficient because they were not always filled out entirely, did not always identify the actual date the lost wages were incurred, or did not adequately describe the union business

conducted.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments* that contained a sample of an expense voucher Local 22 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

Based on your assurance that Local 22 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-2) filed by Local 22 for the fiscal year ended December 31, 2018, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 15 (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 Local 22 gave away gift cards totaling at least \$275 during the audit year. The union must identify the type and value of any property received or given away in Item 69 (Additional Information) 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. Certificates of Deposit Reported as Investments

Local 22 improperly included the value of certificates of deposit as investments in Item 26 (Investments) and Schedule 5 (Investments). The LM instructions state that the total of all the labor organization's cash on hand and on deposit at the start and end of the reporting period must be entered in Item 22 (Cash). Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit and money market accounts. As such, the value of the union's certificates of deposit must be reported in Item 22, not Item 26. Further, the purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements on the LM-2.

3. Disbursements to Credit Card Company Reported in Schedule 15 (Representational Activities)

Local 22 erroneously reported payments totaling \$10,411 to "US Bank Card Member

Services” as the recipient of union disbursements in Schedule 15. As noted in the LM-2 instructions for Schedules 14 through 19, disbursements to credit card companies may not be reported as a single disbursement to the credit card company as a vendor. Instead, charges appearing on credit card bills paid during the reporting period must be allocated to the recipient of the payment by the credit card company.

4. Withholdings in Schedules 11 (Disbursements to Officers) and Schedule 12 (Disbursements to Employees)

The audit revealed that Local 22 failed to report withheld taxes and other payroll deductions, in Line 10 (Less Deductions) of Schedules 11 and 12. As noted in the LM-2 Instructions, the union must enter the total amount of withheld taxes, payroll deductions, and all other deductions on the “Less Deductions” line for all officers and employees who were paid a salary or lost wages.

5. Failure to File Bylaws

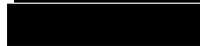
The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 22 amended its constitution and bylaws in 2016, but did not file a copy with its LM report for that year.

Local 22 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 22 file an amended LM report for 2018 to correct the deficient items, but Local 22 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to BCTGM Local 22 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,

Senior Investigator

cc: Mr. Matt Ryder, Treasurer
Mr. Walter Borgan, Vice President