

- U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Minneapolis Resident Office
900 Second Avenue South, Room 450
Minneapolis, MN 55402
(612) 370-3111 / FAX: (612) 370-3107



June 24, 2005

Marty Hallberg, President
Graphic Communications Local 1B
2223 Central Avenue NE
Minneapolis, MN 55416

Re: 

Dear Mr. Hallberg:

This office has recently completed an audit of Graphic Communications Local 1B 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, Vice President Howard Fisk, and Financial Secretary Jim Stegbauer on June 23, 2005, 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.

Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

The following record keeping violations were revealed during the audit of Local 1B's 2004 records:

1. Officer Expenses

Union officers failed to retain adequate documentation for meal expenses which were direct paid by the union. For example, no supporting documentation was retained for check #31259, dated December 28, 2004, for \$62.18, payable to Broadway Pizza, had no supporting documentation attached to its expense voucher. In addition, the expense voucher did not list the names of individuals present during the meal.

With respect to documentation retained in support of specific disbursements, the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also

additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services.

In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

2. Receipts

Local 1B failed to record in its records all employer checkoff checks and some interest earned on several union accounts. Listed below are a few examples:

- [redacted] was reported on Local 1B's monthly financial statements at \$18,529.64 for the entirety of 2004. The CD's value at the end of 2004 was \$19,211.65; the CD earned \$509.71 of interest during 2004, which the union failed to record.
- Local 1B failed to maintain records relating to [redacted] This account was not listed on any of the union's monthly financial statements during 2004. In addition, the \$4.80 of interest earned on this account during 2004 was not recorded in union records.
- Local 1B did not record in its records any employer checkoff checks received during 2004. The local instead recorded the individual payments made by each union member included in the employer checkoff checks received.

Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

3. Employer Checkoff Check Stubs and Checkoff Lists

Local 1B failed to maintain some checkoff check stubs and lists provided to Local 1B from various employers. As an example, [redacted] from Mackay Envelope, dated April 14, 2004, for \$5,366.50, was not kept by Local 1B.

Records retained should be sufficient to enable the tracing of individual receipts to bank deposit records.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1B's LM report. You should be aware that Section 206 of the LMRDA provides for a fine of not more than \$10,000 or imprisonment for not more than one year, or both, for willful failure to maintain records. Section 209(c) of the LMRDA provides for a fine of not more than \$10,000 or imprisonment for

not more than one year, or both, for willful destruction or falsification of records, and applies to any person (not just the individuals who are responsible for filing the union's LM report).

Local 1B's records will be reviewed by this office again within the next six months to ensure that the above recordkeeping violations have been corrected.

Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-2) filed by Local 1B for fiscal year ending December 31, 2004 was deficient in the following areas:

1. Payments Made to Officers for Expenses

In 2004, it appears that most of the payments made to officers for business expenses were incorrectly reported in Schedule 9, Column (G). Expenses necessary for conducting union business should be reported in Schedule 9, Column (F). The LM-2 instructions for Schedule 9 state, "Enter in Column (F), all direct and indirect disbursements made to each officer which were necessary for conducting official business of your organization, except for salaries or allowances which must be reported in Columns (D) and (E), respectively."

A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment made by your organization to another party (including credit card companies) 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 Expenses).

2. Money Market Accounts

Local 1B incorrectly reported funds on deposit in money market accounts in Item 29 (Investments) and related schedules. For LM reporting purposes, money market accounts are considered cash and should be reported in Item 25 (Cash).

The total of all cash on deposit in banks, credit unions, and other financial institutions in the form of checking accounts, savings accounts, certificates of deposit, and money market accounts must be reported in Item 25. The transferring of funds from one cash account to another cash account is simply a transfer of cash from one account to another and therefore should not be reported as either a receipt or disbursement.

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3. Loans to Employees

Local 1B failed to report a loan to former organizer ~~7cc1~~ in Schedule I (Loans Receivable). ~~7cc1~~ received two and a half weeks of wages from the ~~7cc1~~ for attending an organizer's conference from October 4 through October 20, 2004. Svenningsen also received her regular weekly salary check from Local 1B for the pay period ending October 8, 2004. (check #7000, dated October 1, 2004, for \$637.50). Local 1B records reflect that this payment was a loan given to ~~7cc1~~ before leaving for the international conference because she needed some extra money. The loan was approved by the executive board at that time. As of June 23, 2005, Svenningsen still owes Local 1B approximately \$200.00.

All direct and indirect loans (whether or not evidenced by promissory notes or secured by mortgages) owed to your organization by officers, employees, members, or individuals which exceed \$250 during the reporting period and any loans of any amounts to businesses must be reported in Schedule I (Loans Receivable).

Please be aware that Section 503(a) of the LMRDA states, "No labor organization shall make directly or indirectly any loans or loans to any officer or employee of such organization which results in a total indebtedness on the part of such officer or employee to the labor organization in excess of \$2,000."

Other Issues

1. Officer Vacation and Sick Leave Policies

During the exit interview, I advised you that policies governing vacation time and sick leave for union officers could not be found in any union record. I suggested that Local 1B establish policies governing such matters at a future meeting and record them in meeting minutes or some other internal document. When the policies have been recorded in union records, I would appreciate it if you would forward a copy of to me at the above address. You should know that policies which allow officers or employees to be paid additional sums of money for unused leave may be considered a liability for LM reporting purposes.

2. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 1B's officers and employees were bonded for \$100,000 during 2004, but they should have been bonded for at least \$130,000. During the audit, Financial Secretary Jim Stegbauer increased the amount of the bond to \$170,000. The new bond adequately covers the minimum amount required by the LMRDA.

I strongly recommend that you make sure this letter, the compliance assistance materials that were provided to you are passed on to yours, Mr. Fisk's, and Mr. Stegbauer's successors at whatever times you may leave office.

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I want to extend my personal appreciation to you and your entire staff for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

FCC

Investigator

cc: Howard Fisk, Vice President
Jim Stegbauer, Financial Secretary

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