

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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January 5, 2009

Mr. John Higgins, President
Graphic Communications, IBT
Local 518-M
601 Brady Street
Davenport, IA 52803

LM File Number 064-645
Case Number: [REDACTED]

Dear Mr. Higgins:

This office has recently completed an audit of Graphic Communications Local 518-M 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 November 21, 2008, 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 518-M's 2007 records revealed the following recordkeeping violation:

General Expenses

Local 518-M did not retain adequate documentation for expenses incurred by union officers totaling at least \$120.00. For example, no documentation could be found in support of Check Numbers [REDACTED], [REDACTED] and [REDACTED] to River Valley Coop; Check Number [REDACTED] to Teamsters; Check Number [REDACTED] to Molyneaux Insurance; and Check Number [REDACTED] to Willers.

As previously 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 518-M 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-3 filed by Local 518-M for fiscal year ending December 31, 2007 was deficient in the following areas:

1. Disbursements to Officers

Local 518-M did not include some reimbursements to you totaling at least \$4,802.17 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). The union erroneously reported these payments in Item 54 (Other Disbursements).

I am not requiring that Local 518-M file an amended LM report for 2007 to correct the deficient item since you agreed to properly report the deficient items on all future reports filed with OLMS.

2. 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 518-M amended its constitution and bylaws, but did not file a copy with its LM report for 2007.

Local 518-M has now filed a copy of its constitution and bylaws.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local 518-M's officers and employees are currently bonded for \$50,000, but they must be bonded for at least \$57,277. Local 518-M should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than January 23, 2009.

Other Issue

Signing Blank Checks

During the audit, you advised that Treasurer Richard Reeves signs 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

Mr. John Higgins
January 5, 2009
Page 4 of 4

negates the purpose of the two signature requirement. OLMS recommends that Local 518-M review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Graphic Communications Local 518-M 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,

A solid black rectangular box used to redact the signature of the investigator.

Investigator