



June 25, 2012

Mr. Steve Underwood, President
Bakers Local 48G
301 Blondeau
Keokuk, IA 52632

Case Number: [REDACTED]
LM Number: 017916

Dear Mr. Underwood:

This office has recently completed an audit of Bakers Local 48G 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 Financial Secretary Chris Pollitt on March 29, 2012, 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 48G's 2010 and 2011 records revealed the following recordkeeping violations:

1. Lack of Documentation Retained for Disbursements

Local 48G did not retain adequate documentation for disbursements totaling at least \$8,500. For example, backup documentation was not retained for a \$2,000 donation to the Helping Hands food pantry. Also, documentation was not retained for a \$700 disbursement

to the Fatty Lumpkin Band and a \$4,085.26 disbursement to Meyer Catering, which were both for the 2011 Christmas party.

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.

2. Meal Expenses

Local 48G records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, during the lockout, several officer meetings were held at restaurants. Receipts were retained for all of these disbursements; however, the purpose of the meeting and the officers involved in the meeting were not retained. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Lost Wages

Local 48G did not retain adequate documentation for lost wage reimbursement payments to union officers and employees. 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 OLMS audit found that Local 48G, retained reimbursement forms for all lost time payments; however, several of these forms did not contain a description of union business conducted, the number of hours lost, and the applicable rate of pay.

A copy of compliance tip sheet, *Union Lost Time Payments*, and a sample expense voucher Local 48G may use to satisfy this requirement is included with this letter. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

4. Failure to Record Receipts

Local 48G did not keep adequate receipt records for dues and donations collected between September 2010 and July 2011. During the audit, President Underwood advised OLMS that he cannot be certain all dues and donations were recorded in union records for this period of time. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

5. Receipt Dates not Recorded

Entries in Local 48G's receipts records for dues and donation collection between September 2010 and July 2011 do not indicate the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The LM-2 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

6. Information not Recorded in Meeting Minutes

Article VI, Section 6 of the local's bylaws requires that all bills paid shall be authorized by the union, except recurring charges such as rent, light, per capita taxes, and similar routine charges and salaries. However, the meeting minutes do not contain any reference to a \$2,000 donation to Helping Hands Food Pantry on August 4, 2011. Additionally, the minutes do reference the dates for the 2011 children's and adult's Christmas parties, but do not reference approval for disbursements for the parties, including \$216.00 to Angelini's for pizza for the children's party and \$4,085.26 for catering the adult's party. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

7. Lack of Authorization for the President's Quarterly Mileage Stipend

Local 48G pays the president a quarterly mileage stipend of \$180. The local did not maintain any record to show this stipend was authorized. The union must keep a record, such as meeting minutes, to show the mileage stipend was authorized by the entity or individual in the union with the authority to establish salaries and expense stipends.

Based on your assurance that Local 48G will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 48G's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

Reporting Violations

The audit of Local 48G's 2010 and 2011 records revealed the following reporting violations:

1. Failure to File 2010 and 2011 LM-2 Reports

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 audit disclosed that the local was delinquent in filing its 2010 and 2011 LM-2 reports.

Local 48G filed its 2010 LM report on June 22, 2012; however, the report was delinquent by more than fourteen months. As of today, the 2011 LM report is still delinquent.

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 48G amended its constitution and bylaws in 2000, but did not file a copy with its LM report for that year.

Pursuant to 29 C.F.R. Section 458.3, the requirement under 29 C.F.R. Section 402.4 implementing LMRDA Section 201(a) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file copies of any revised constitution and bylaws when it files its annual financial report. The audit disclosed a violation of this requirement.

Local 48G has now filed a copy of its constitution and bylaws.

The LMRDA requires unions to file financial reports annually with OLMS within 90 days of the end of the union's fiscal year. You should be aware that under the LMRDA, the treasurer and president or corresponding principal officers of the union are subject to criminal penalties for willfully failing to file a required report, including a fine up to \$10,000 and/or imprisonment of not more than one year. Also, these officers are subject to civil prosecution for violations of the filing requirements.

Other Issues

1. Duplicate Receipts

Between September 2010 and July 2011, members of Local 48G paid dues directly to the union and various individuals and organizations made donations to the union. During this time, multiple officers/members accepted dues and donations on behalf of the local, but they did not issue receipts to dues payers and donors. Although the local is no longer accepting direct dues payments from members or receiving donations, OLMS recommends

that Local 48G use a duplicate receipt system where the union issues original pre-numbered receipts to anyone making payments directly to the union and retain 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. Checks Written to Cash

During the audit it was discovered that multiple cash withdrawals were made and the cash was used to distribute lock out funds to members. Although, the local is no longer distributing lockout funds, OLMS recommends that Local 48G review these procedures to improve internal control of union funds.

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. Chris Pollitt, Treasurer
Mr. Steve Bertelli, International Vice President