

U.S. Department of Labor

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April 17, 2008

Mr. James Marron, Jr., Financial Secretary
Bakery, Tobacco & Grain, AFL-CIO
Local 103-G
2955 N. Woodford
Decatur, IL 62526

LM File Number: 017-937
Case Number: [REDACTED]

Dear Mr. Marron:

This office has recently completed an audit of the Bakery, Confectionary, Tobacco Workers and Grain Millers Local 103-G (Local 103-G) 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 March 20, 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 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 103-G's 2006 records revealed the following recordkeeping violations:

1. Credit Card Expenses / Meal Expenses

Local 103-G did not retain adequate documentation for all credit card expenses incurred by President Robert Kelly totaling at least \$4,084. For example, Local 103-G failed to maintain a receipt for a \$372.24 purchase made at Wal-Mart SuperCenter on February 10, 2006.

While the local was able to obtain sufficient documentation to substantiate that approximately \$3,482 of the previous noted disbursement total was for legitimate union business from various third parties, 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.

Also, Local 103-G's records of meals purchased with the union's credit card did not always include written explanation of union business conducted or the names and titles of the persons incurring the restaurant charges. 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

2. Failure to Maintain Adequate Receipt Records

Local 103-G did not maintain receipt records that adequately identified the origin of all cash received by the union during the audit period. For example, Local 103-G failed to maintain receipt records that noted the origin of approximately \$525.00 in cash received during the audit period.

As previously noted, labor organizations must maintain records for all money it receives. This record must show the date, amount, purpose, and source of that money. 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 103-G will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Violations

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 103-G's officers are currently bonded for \$40,000, but they must be bonded for at least \$40,544. Local 103-G 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 no later than May 1, 2008.

Other Issues

1. Personal Use of Credit Cards

The audit revealed that a union officer used the union's credit card to pay for a personal expense despite the Local 103-G policy against such purchases. Specifically, President Robert Kelly's credit card was used to purchase a \$391.90 American Airlines ticket for his spouse. Although President Kelly informed OLMS that he repaid Local 103-G in cash, OLMS was unable to confirm the repayment. OLMS does not recommend that Local 103-G allow union officers or employees to make personal purchases with union credit cards as this may lead to misuse of union funds. OLMS also recommends that Local 103-G maintain receipt and disbursement records of all funds entered into and removed from the local's petty cash fund.

2. Duplicate Receipts

Members of Local 103-G occasionally purchase retirement/withdrawal cards from the union, yet Office Secretary [REDACTED] does not issue receipts to the payers. OLMS recommends that Local 103-G 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.

3. Lost Time Policy

As discussed during the exit interview, the audit revealed that Local 103-G does not have a clear lost time policy that specifically states when union officers and employees may request lost pay for working on union business. OLMS recommends that union adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Local 103-G 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: Robert Kelly, President