



April 8, 2015

Mr. Dave Gregerson, President  
Bakery, Tobacco, & Grain Local 325-G

Case Number: 310-6002965( )  
LM Number: 062740

Dear Mr. Gregerson:

This office has recently completed an audit of Bakery, Tobacco, & Grain Local 325-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 and Treasurer Dan Allen today, 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 325-G's 2014 records revealed the following recordkeeping violations:

1. Lost Wages Reimbursements & Payments for Personal Time for Conducting Union Business

Local 325-G did not retain adequate documentation for lost wage reimbursements and payments for personal time worked for conducting union business to officers and

employees of the union, totaling at least \$3,900. Local 325-G reimburses officers and employees for lost wages and also compensates them for personal time worked for conducting union business. Records must be maintained in support of lost wage claims and personal time payments that identify each date lost wages were incurred or personal time wages were earned, the number of hours lost or worked on each date, the applicable rate of pay, and a specific description of the union business conducted. The audit found that Local 325-G maintained check stubs and register that only identified the amount being paid to each officer, and did not identify the date of the claim, the total hours claimed, the rate of pay, or the specific business purpose being conducted. During the exit interview, I provided the compliance tip, *Union Lost Time Payments*, which identifies the type of information and documentation that the local must maintain.

2. Receipt Dates not Recorded

Entries in Local 325-G's check stubs and register only identify the amounts of money received. Receipt records must show the date, amount, and source of all receipts. The date and source of a receipt is required to be recorded in union records to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-3). The LM-3 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 on the LM-3 for a different year than the year it actually received them.

3. Lack of Salary Authorization

Officers and employees of Local 325-G each received a salary of \$15 to \$240 per month during 2014. However, Local 325-G did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. You and Treasurer Allen advised that you do not recall when salaries were initially authorized, but a salary increase was authorized by the membership in 2014. However, the 2014 meeting minutes do not reflect the salary authorization. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 325-G 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 325-G for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (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 325-G gave away gift cards and candy totaling more than \$1,400 during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

2. Officers Not Listed

Local 325-G did not report the name of some officers in Item 24 (All Officers and Disbursements to Officers). The audit revealed that the union had three additional officers, Sergeant of Arms Al Lindsey, Trustee Merlin Tjarks, and Trustee Jerald Lang, who are not identified in Item 24. The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

3. Disbursements to Officers

Local 325-G failed to correctly report disbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers) totaling at least \$11,900. For example, the union's check register and stubs show that officers were paid at least \$9,100 in gross salary. However, nothing was reported in Column D (Gross Salary). It appears these payments were erroneously reported in Column E (Allowances and Other Disbursements). In addition, the union records show that officers were directly disbursed at least \$2,800 for reimbursed expenses, but these were not reported in Column E. These payments were erroneously reported in elsewhere on the report.

Most direct disbursements to Local 325-G's officers and some indirect disbursements made on behalf of its officers must be reported in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) 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 Expense).

4. Cash Balances

Local 325-G failed to correctly report its cash balances in Statement A (Assets & Liabilities). It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The check stubs and register state Local 325-G's beginning cash balance is \$21,785. However, only \$11,723 is reported in Item 25A. Local 325-G's records indicate the ending cash balance is \$18,366, but only \$2,055 is reported in Item 25B. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

5. Receipts

Local 325-G failed to correctly report receipts in Statement B (Receipts & Disbursements), by at least \$6,489. Local 325-G's check register shows \$39,886 was received during 2014. However, the amount reported in Item 44 (Total Receipts) is \$33,297. It appears the union may have failed to report initiation fees in Item 40 (Fees, Fines, & Work Permits) and travel reimbursements from the International Union in Item 43 (Other Receipts).

6. Creating Line Items

Local 325-G modified the names of Item 46 (To Employees), Item 50 (Benefits), and Item 53 (Loans Made) to create its own disbursement classifications. The LM instructions require unions to complete all items and lines on the form as given. Do not use different accounting classifications or change the wording of any item or line.

7. 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 325-G amended its constitution and bylaws in 2014, but did not file a copy with its LM report for that year. Local 325-G has now filed a copy of its constitution and bylaws.

Local 325-G must file an amended Form LM-3 for the fiscal year ended December 31, 2014, to correct the deficient items discussed above. I encourage Local 325-G to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than May 8, 2015, or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Issues

1. Policy for Payments for Lost Time and Personal Time for Conducting Union Business

During the audit, you and Treasurer Allen advised that in addition to wages to officers and employees for any wages lost while conducting union business, Local 325-G also compensates officers and employees for personal time working for the union. You and Treasurer advised that officers and employees may be compensated for working for the union when they are not scheduled to work (off day, before/after shift) or on employer paid leave (vacation, holiday, other leave). You advised that this is an unwritten policy that the local has been operating under for many years. OLMS recommends that your union adopt written guidelines for the disbursements for personal time and lost wages as such policies can help ensure effective control over union finances.

2. Signing Blank Checks

During the audit, you and Treasurer Allen advised you routinely pre-sign checks. 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 negates the purpose of the two signature requirement. OLMS recommends that Local 325-G review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Bakery, Tobacco, & Grain Local 325-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,

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

Investigator

cc: Mr. Dan Allen, Treasurer