

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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September 5, 2008

Ms. Jayne Cannon, Financial Secretary
Bakery Workers Local 372-B
6433 East Washington Street
Indianapolis, IN 46219

LM File Number: 025-532
Case Number: [REDACTED]

Dear Ms. Cannon:

This office has recently completed an audit of Bakery Workers Local 372-B 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 Investigator [REDACTED] discussed during the exit interview with you and Business Agent Wedrick Hollingsworth on July 3, 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.

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 372-B for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Disbursements to Officers

Local 372B did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). 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. Local 372B reported net salary totals for Business Agent Hollingsworth. Column D of

the report requires that the gross salary of each officer be reported, before tax withholdings and other payroll deductions.

2. Failure to Report Accounts

Local 372B failed to report \$41,000 in Items 25a and b (Cash) of the LM-3 report. Specifically, the local failed to report monies held in the local's death fund account and two certificates of deposit. Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money market accounts.

3. Failure to File LM Report

Local 372B failed to file its Labor Organization Annual Report Form LM-3 for the fiscal year ending December 31, 2007. The local must file its LM report within 90 days after the end of its fiscal year. The LMRDA does not authorize the U.S. Department of Labor to grant an extension of time for filing reports for any reason.

During the audit, it was disclosed that Local 372B uses the accounting services of Charles A. Spillman and Company to complete the local's annual LM-3 reports. During the audit, you and Investigator [REDACTED] met with Margaret King of Charles A. Spillman and Company. Investigator [REDACTED] explained the LMRDA reporting requirements and addressed the above listed deficiencies in Local 372B's Form LM-3 for its 2006 fiscal year. Local 372B subsequently filed an amended 2006 Form LM-3 report and the 2007 Form LM-3. No further action by OLMS is warranted regarding this issue.

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.

The audit revealed that Local 372-B's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained

adequate bonding coverage and provided evidence of this to Investigator [REDACTED] during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issues

1. Signing Blank Checks

During the audit, you and former Financial Secretary [REDACTED] advised that it had been the practice of the local that the president and financial secretary occasionally sign blank checks. You indicated that you stopped this practice when you became financial secretary. As you are aware, 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.

2. Financial Secretary Reports

The audit revealed that in 2007, balances for the death fund account were not consistently reported or recorded in the local's records. OLMS recommends that the financial officer give a full report of the union's finances at each membership or executive board meeting, including all deposits and withdrawals made to all of Local 372B's accounts.

I want to extend my personal appreciation to Bakery Workers Local 372-B for the cooperation and courtesy extended to Investigator [REDACTED] 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,

Lesta A. Chandler
District Director

cc: Mr. Antonio Carter, President

Mr. Wedrick Hollingsworth, Business Agent