

U.S. Department of Labor

Office of Labor-Management Standards
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December 17, 2009

Mr. Peter Diamond, Business Agent
Stage & Picture Operators, AFL-CIO
Local 1864
2643 Highland Avenue
Cincinnati, OH 45219

LM File Number: 019-885
Case Number: [REDACTED]

Dear Mr. Diamond:

This office has recently completed an audit of Stage & Picture Operators Local 1864 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 December 7, 2009 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 1864's 2008 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 1864 did not retain adequate documentation for reimbursed expenses incurred by you totaling at least \$84.15. For example, the union did not maintain any supporting documentation for the \$6.73 and \$27.50 checks (██████████) dated March 10, 2008, and the union did not maintain sufficient documentation for the \$49.92 reimbursement check (██████████) dated August 13, 2008.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and business agent of your union, who are required to sign your union's Form LM-3 Labor Organization Annual Report, are responsible for properly maintaining union records.

2. Meal Expenses

Local 1864 did not maintain sufficient supporting documentation for meal expenses totaling at least \$1,232.49. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 1864 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, the union did not maintain a receipt from the \$571.84 disbursement to Mecklenburg Gardens on January 17, 2008, and the union did not provide an explanation or list attendees on the receipt from the \$510.94 disbursement to Mecklenburg Gardens on April 17, 2008. 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. Receipt Dates not Recorded

Local 1864's receipts records reflect the date the union deposited money, but not 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-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 for a different year than when it actually received them.

Based on your assurance that Local 1864 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 1864 for fiscal year ending December 31, 2008, was deficient in the following areas:

1. Disbursements to Officers

Local 1864 did not include some reimbursements to officers totaling at least \$308.58 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). The union must report most direct disbursements to officers and some indirect disbursements made on behalf of its officers 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).

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 1864 amended its constitution and bylaws circa 1987, but did not file a copy with its LM-3 report for that year.

As agreed, Local 1864 will file a copy of its current constitution and bylaws with OLMS as soon as possible, but not later than December 31, 2009.

I am not requiring Local 1864 to file an amended LM-3 report for 2008 to correct the deficient items, but the union has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

1. Inadequate Bonding

The audit revealed a violation of LMRDA Title V, 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 1864's officers and employees were not sufficiently bonded in that the union's policy carried a deductible. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issues

1. Expense Policy

As I discussed during the opening interview and exit interview, the audit revealed that Local 1864 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be

charged to union debit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Duplicate Receipts

Members of Local 1864 pay dues directly to the union. You list dues payments in the union's deposit tickets, but do not issue receipts to dues payers. OLMS recommends that Local 1864 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.

I want to extend my personal appreciation to Stage & Picture Operators Local 1864 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: President Geraldine Hill