

U.S. Department of Labor

Employment Standards Administration  
Office of Labor-Management Standards  
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August 1, 2005

Ed Carter, Financial Secretary  
Painters, AFL-CIO, Local 427  
824 W. Lewis Street, #113  
Pasco, WA 99301

Re: 1 2

Dear Mr. Carter:

This office has recently completed an audit of Painters Local 427 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 Office Secretary Cindy Purdin on July 21st, 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.

The audit revealed a violation of the LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. It was determined that Painter's Local 427 did not have adequate bonding coverage. Based on the bonding worksheet your union should have a bond of at least \$11,344.00 on its officers and employees to be in compliance with the LMRDA. Please fax proof of new bonding coverage to this office as soon as it is obtained.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things that adequate records be maintained for at least five years by which each receipt and disbursement of funds, as well as account balances be verified, explained and clarified. As a general rule, all records used or received in the course of union business must be retained.

In a few instances, Painters Local 427 failed to keep union records to verify, explain or clarify the union's receipts and disbursements. A spot check revealed that receipts or back up documentation for some union expenditures were missing. There was no receipt or back up for 4  
April 22, 2004 or 4 on May 11, 2004.

Additionally, General Membership meeting minutes for July and August 2003 were missing, along with Executive Board minutes for July, August, September, October, November, and December 2003 and January and June 2004 could not be located. Since you indicated that much better care and attention would be taken to ensure all financial records and minutes would be retained in the future, no other action will be taken regarding this issue.

Recommendations for Painters Local 427 include:

Immediately close out the petty cash fund since its primary use is for making change for members who pay dues in cash. There are several banks within walking distance to the union office where members can obtain correct change. This will eliminate potential problems of daily balancing funds and receipts.

To improve internal financial controls, it is recommended that two original signatures by authorized union officials be affixed on all union disbursement checks.

Also, it is recommended that the local continue to move towards a paperless environment and do more to computerize records and move away from the antiquated record keeping practices of the past. This will in turn save time, space, and make record keeping simpler and more accurate in the future.

I would like to congratulate you on your use of Quick Books accounting system. This has proven to be an excellent way to instantly input, and track all union receipts and expenditures. It also makes for improving auditing and the year end LM-3 preparation.

Finally, I want to extend my personal appreciation to you Ed Carter, Cindy Purdin, and your accountant Lon. Nguyen, for your cooperation and courtesy during this compliance audit. If I can be of any assistance in the future, please do not hesitate to call.

Sincerely,

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Investigator