



June 12, 2012

Mr. Guillermo Molina, Financial Secretary  
Lathers Local Union 68  
100 Hegenberger Road  
Oakland, CA 94608

Case Number: [REDACTED]  
LM Number: 521670

Dear Mr. Molina:

This office has recently completed an audit of Lathers Local Union 68 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, Bookkeeper Monica Molina, and your CPA Charles Ha on May 29, 2012, 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 68's 2011 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 68 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, one meal receipt for \$223 in December 2011 did not contain any descriptive information. 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.

Based on your assurance that Local 68 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-2) filed by Local 68 for fiscal year ending June 30, 2011, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 15 [LM-2] (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) was answered, "Yes," but there was no information provided regarding nearly \$3,000 that the union gave away in merchandise during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

2. Sale of Supplies

Local 68 did not correctly report receipts from the sale of supplies or disbursements for supplies for resale. The audit revealed that during 2011, Local 68 disbursed at least \$12,000 for items that it gave away or re-sold to members, collecting receipts totaling at least \$400. The LM-2 instructions require that the

union report receipts from the sale of supplies in Item 39 (Sale of Supplies) and disbursements for supplies for resale in Item 59 (Supplies for Resale).

3. Failure to Report Investments

All trusts in which the labor organization is interested which are investments of the labor organization (such as real estate trusts, building corporations, etc.) must be reported in Schedule 5. Local 68 failed to report its book value of the union's investment in the Labor Temple Association of Alameda County on Schedule 5. Local 68 should report on Line 6(a) the name of the trust in Column (A) and the labor organization's share of its book value in Column (B) of Schedule 5.

4. Disbursements to Officers and Employees

Local 68 did not include some payments to officers and employees in Column G of Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19. The total amount cannot be determined due to the record keeping violation as described above.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

5. 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 68 amended its constitution and bylaws since 1989, but did not file a copy with its LM report when the bylaws were revised. Local 68 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 68 file an amended LM report for 2011 to correct the deficient items, but Local 68 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Lathers Local Union 68 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 sender.

Senior Investigator

cc: Mr. Agustin Diaz, President