



December 7, 2015

Mr. Scott Basler, Financial Secretary
Painters Local 774
District Council Office
2501 59th Street
St. Louis, MO 63110

Case Number: 510-6006391 [REDACTED]
LM Number: 039636

Dear Mr. Basler:

This office has recently completed an audit of Painters Local 774 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 Business Representative [REDACTED] on December 2, 2015, 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 774's records for fiscal years ending 2013, 2014, and 2015 revealed the following recordkeeping violations:

1. Acquire/Dispose of Property

Item 13 [LM-3] (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 the union gave away gift cards totaling \$650. On January 24, 2015, the local wrote check number [REDACTED] to Scott Basler for \$694.40 (card activation fees included), reimbursing him for the purchase of gift cards. The local maintained a receipt for the purchase of the gift cards. The gift cards were reportedly randomly distributed to members at union meetings as attendance prizes; however, the local did not maintain a record of what member received the gift cards. 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.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records. The union must record in at least one record the date and amount of any asset provided to a member.

2. Lost Wages

Local 774 did not retain adequate documentation for a lost wage reimbursement payment to Ray Cole totaling \$608.64 on August 18, 2014. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 774 did not retain a record of the lost time, but paid Cole one week's (40 hours) wages to attend the union's national conference.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 774 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

Based on your assurance that Local 774 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 774 for the fiscal years ending June 30, 2013, June 30, 2014, and June 30, 2015 were deficient as follows:

1. Disbursements to Officers (LM-3)

Local 774 did not include some reimbursements to the financial secretary totaling at least \$1,226.67 (during the three fiscal years audited) in Item 24 (All Officers and Disbursements to Officers). In addition, the local did not report in Item 24 the lost time paid to Ray Cole Cole, totaling \$608.64, on August 18, 2014. It appears the union erroneously reported these payments in Item 51 and/or Item 54.

The union must report most direct disbursements to Local 774 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).

Based on your assurance that Local 774 will report these items accurately in future reports, OLMS will take no further enforcement action at this time regarding the above violations.

I want to extend my personal appreciation to Painters Local 774 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