



October 6, 2011

Mr. Travis Garton, President  
Retail Wholesale Local 125



Case Number: [REDACTED]  
LM Number: 027459

Dear Mr. Garton:

This office has recently completed an audit of Retail Wholesale Local 125 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 Manager Cindy Holmes on September 28, 2011, 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 125's 2010/2011 records revealed the following recordkeeping violation:

#### Lack of Salary Authorization

Local 125 did not maintain records to verify that the salary for the Office Manager reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. Although Ms. Holmes keeps a

record of duties, benefits, and current salary information, the union must keep a record, such as meeting minutes, to show the current salary is authorized by the entity or individual in the union with the authority to do so. We discussed this during the exit interview and I also supplied you with compliance assistance material regarding this matter and you agreed to keep this record in the future.

Based on your assurance that Local 125 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

### 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 125 for fiscal year ending June 30, 2011, was deficient in the following areas:

#### 1. 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 125 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year. A copy was provided to me during the audit and you agreed during the exit interview if it changes in the future a new copy will be filed with your local's LM report.

#### 2. Disbursements to Officers

Local 125 did not include some reimbursements to officers totaling at least \$3,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office & Administrative Expense).

The union must report most direct disbursements to Local 125 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).

As we discussed in the exit interview, payments to officers such as per diem and reimbursements are disbursements that must be reported in Item 24. I also provided you,

Ms. Holmes, and your accountant with compliance assistance materials regarding this reporting requirement. You agreed to report these items correctly in the future.

Local 125 must file an amended Form LM-3 for fiscal year ending June 30, 2011, to correct the deficient items discussed above. The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than October 20, 2011. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to Retail Wholesale Local 125 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 redacting the signature of the investigator.

Investigator

cc: Cindy Holmes, Office Manager