

U.S. Department of Labor
Cleveland District Office

Employment Standards Administration
Office of Labor-Management Standards
Cleveland District Office
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June 21, 2005

Stephen Simon, Financial Secretary
Bakery, Tobacco & Grain AFL-CIO
Local 58-G
One Maritime Plaza
Toledo, Ohio 43604

Re: 2

This office has recently completed an audit of Bakery, Tobacco & Grain AFL-CIO, Local 58-G, under the Compliance Audit Program (CAP), in order to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959, as Amended (LMRDA). As discussed on May 6, 2005, during the Exit Interview with you and James Neu, Treasurer, 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 LMRDA establishes certain reporting (Section 201) and recordkeeping (Section 206) requirements. The CAP, which covered the period January 1, 2003 through December 31, 2003, disclosed violations of LMRDA sections 201(a), 201(b), and 206. Section 206 requires that adequate records be maintained by the local – 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, all records used or received in the course of union business must be retained. It was revealed that, during the audit period, the local did not maintain adequate supporting documentation for lost time and/or expense disbursements to local officers. A police report was provided related to an office break-in occurring on March 5, 2004, after which certain audit year supporting documentation (meeting minutes, vouchers, etc.) was found to be missing. However, other required supporting documentation (canceled checks, check stubs, receipts/invoices, etc.) not missing due to the office break-in was not found within the local's financial records. Although supporting documentation was not initially available for these disbursements in question, adequate documentation (canceled checks) and information (explanations from both you and Mr. Neu) concerning these disbursements were obtained during the audit. Since, during the Exit Interview on May 6, 2005, you agreed that your local would maintain adequate documentation supporting all future disbursements of union funds, no further action concerning recordkeeping violations is being considered at present.

The CAP also disclosed violations of LMRDA section 201(b), as the Labor Organization Annual Report (LM-2) originally submitted for the audit period was deficient as follows.

- Receipts information was not properly entered on the LM-2 report (Statement B: Cash Receipts).
- Disbursements information was not properly entered on the LM-2 report (Statement B: Cash Disbursements – Items 56, 57, 62, and 73; Schedule 9, 10, and 15).
- Assets/liabilities information was not properly entered on the LM-2 report (Statement A).

On your Amended LM-3 report dated June 7, 2005, received at this office on June 13, 2005, the above reporting errors were corrected, so no further action concerning reporting violations is being considered at present.

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As your union had updated its bylaws prior to the audit period (July 1999), but had not forwarded these updated bylaws with that year's annual LM report, a violation of LMRDA section 201(a) was found. You provided a copy of your most recent bylaws during the course of the audit, and agreed that future bylaws revisions would be filed with this office along with your annual LM report. Therefore, at this time, no further action regarding section 201(a) is being considered.

Additionally, though not LMRDA violations, the audit revealed certain practices which serve to weaken internal financial controls. Therefore, it is strongly recommended that you consider eliminating the following practices.

- Mechanical check writer used for inscribing amounts on checks
- Signature stamps used in lieu of actual signatures on checks
- Disbursement vouchers lacked authorizing/approving signature(s)

During the Exit Interview, you were informed that the annual filing of Form LM-2 was not necessary for your local, and were advised that Form LM-3 could be filed annually instead of Form LM-2. The amended Form LM-3 received on June 13, 2005 was appropriate for your union's level of annual receipts, which were under \$250,000.

Please share this letter and these findings, as well as the compliance assistance materials provided during the Exit Interview, with the other BCTGM Local 58-G officers. Also, make sure to share these compliance assistance materials with successors at whatever time you may leave office. I want to extend my personal appreciation for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please feel free to call our office.

Sincerely,

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Investigator

cc: James Neu, Treasurer