

U.S. Department of Labor

Employment Standards Administration
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May 9, 2008

Mr. Thomas Shattuck-Smallwood, Secretary - Treasurer
Graphic Communications IBT L116-C
P.O. Box 41706
Eugene, OR 97404

LM File Number: 041-760
Case Number: [REDACTED]

Dear Mr. Shattuck-Smallwood:

This office has recently completed an audit of GCC L116-C 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 President Joseph Strub on March 20, 2008, 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 116-C's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 116-C did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$1500.00. For example, President Joseph Strub traveled to Cleveland on union business during the audit year, although; he was unable to provide receipts for travel expenses incurred.

As previously 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.

2. Failure to Record Receipts

Local 116-C did not record in its receipts records some employer dues checkoff checks and dues payments made directly to the union. For example, after reviewing the union's records for the audit year, there was no documentation for over \$27,000 in receipts. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

Reporting Violation

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 116-C for fiscal year ending December 31, 2006, was deficient in the following area:

Cash Reconciliation

It appears that the cash figures reported in Item 25 on the LM-3 are not the cash figures according to the union's books after reconciliation to the bank statements. A review of

the union's financial records indicated that the union did not have records to reconcile to the bank. The instructions for Item 25 state that the union should obtain account balances from its own books as reconciled to the balances shown on bank statements.

As noted above, Local 116-C has filed an amended LM-3 report for 2006 to correct the deficient items and has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that Local 116-C officers were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issues

1. Dual Signatures

During the audit, you stated that you are typically the only signer on the union's checks. Your union's bylaws require that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. OLMS recommends that Local 116-C review these procedures to improve internal control of union funds.

2. Duplicate Receipts

There are some members of Local 116-C who pay dues directly to the union. OLMS recommends that Local 116-C use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retain copies of those receipts. A duplicate receipt

system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to L116-C 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,

R. Bruce Edgington
District Director

cc: Mr. Joseph Strub, President