

U.S. Department of Labor

Office of Labor-Management Standards
Cincinnati District Office
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September 10, 2009

Mr. George Pugh, Financial Secretary
Food & Commercial Workers Local 13
P.O. Box 3903
Lawrenceburg, IN 47025

LM File Number: 016-139
Case Number: [REDACTED]

Dear Mr. Pugh:

This office has recently completed an audit of Food & Commercial Workers Local 13 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 on September 3, 2009, 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 13's 2008 records revealed the following recordkeeping violations:

1. Disposition of Property

Local 13 did not maintain an inventory of obsolete office equipment it sold. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

The union must record in at least one record the date and amount received from each sale of union property.

2. Failure to Record Receipts

Local 13 did not record in its receipts records income received from sale of fixed assets totaling at least \$110.00. Local 13 held a silent auction during the week of the January 25, 2008. The auction was held to sell an old computer, printer, "broken" copy machine, monitor, keyboard and three metal cabinets. The items were sold to two members who paid \$65.00 and \$45.00 for the items, totaling \$110.00. The union had no records, receipts, or identifying data documenting the sale. 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.

3. Lack of Salary Authorization

Local 13 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

4. Reimbursed Expense Record and Voided Checks Not Retained

Local 13 did not retain adequate documentation for reimbursed expenses incurred by you totaling at least \$52.50. On February 28, 2008, you purchased a tape recorder for the union at Wal-Mart but did not retain the original receipt for the disbursement. During the OIQ you informed me that you shredded voided checks after reconciling the bank accounts.

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.

Based on your assurance that Local 13 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 13 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year.

Local 13 has now filed a copy of its constitution and bylaws.

Other Issue

1. Signing Blank Checks

During the audit, you advised that Vice President Andrew Benton signs 30 blank checks at a time. Your union's bylaws require that all checks be signed by two of your local's three trustees. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 13 review these procedures to improve internal control of union funds.

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I want to extend my personal appreciation to Food & Commercial Workers Local 13 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

cc: Bernard Thomas, President