



May 29, 2024

Ryan Anderson, Business Manager
Painters, AFL-CIO District Council 30
1905 Sequoia Drive
Suite 203
Aurora, IL 60506

Case Number: 310-6023712()
LM Number: 022615

Dear Business Manager Anderson:

This office has recently completed an audit of Painters District Council 30 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, Controller Jennifer Sherman, Certified Public Accountant (CPA) Martin Boyle, and Attorney Joseph Burns on April 24, 2024, 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 District Council 30's 2021 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

District Council 30 did not retain adequate documentation for reimbursed expenses incurred by you totaling at least \$43,872. For example, adequate supporting documentation was not retained for reimbursements to you totaling at least \$11,632 for various gifts and gift cards you purchased on behalf of the union, such as a \$1,323 reimbursement to you for wine you purchased from Piazza Bella Osteria on December 16, 2021. In support of this expense, the union only maintained an expense form and a credit card signature receipt, which is not sufficient. Additionally, the union failed to maintain a record of who received the wine.

As another example, adequate supporting documentation was not retained for 16 reimbursements to you totaling at least \$1,516 for fuel you purchased for your union vehicle. In support of these expenses, the union only maintained expense forms and photographs of either your personal credit card statements or fuel pump readings, which is not sufficient.

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.

2. Meal Expenses

District Council 30 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$44,744. For example, on June 21, 2021 you were reimbursed \$2,671.09 for a meal at The Turf Room. In support of this expense, the union only maintained an expense form and a credit card signature receipt, which is not sufficient. As another example, on August 9, 2021 you were reimbursed \$1,076.75 for a meal expense you incurred at an unknown location. In support of this expense, the union only maintained an expense form and a photograph of part of a credit card signature receipt, which is not sufficient. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Additionally, District Council 30 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, on November 11, 2021 you were reimbursed \$289.52 for a meal expense you incurred at The Walrus Room; however, no union purpose was documented for this meal. As another example, on August 5, 2021 Executive Director Todd Dotson was reimbursed \$284.09 for a meal expense he incurred; however, the union business purpose and the names of the other attendees were not recorded. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records

retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Union Owned Vehicles

District Council 30 did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2.

During the opening interview, the union advised that those who are assigned union vehicles are required to “keep track” of their personal and business miles and report those numbers to the union; however, District Council 30 did not maintain records documenting business versus personal use of the union vehicles.

The LM-2 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 and 12 of the LM-2, allocated to the officer or employee to whom each vehicle is assigned.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

4. Disposition of Property

District Council 30 failed to retain adequate records for various gifts that it gave away during the audit period. The audit revealed that District Council 30 purchased gift cards and various other gifts, to include wine and cutting boards, totaling at least \$11,632 that it gave away during the audit year; however, District Council 30 did not maintain adequate records that identified the recipients of the items that were given away.

Records must be retained which account for all union property. In the case of gift cards, wine, cutting boards, and other items sold or given away, records must be maintained to clarify and support information required to be reported by the union in Statements A (Assets and Liabilities) and B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-2). The value of any gift cards, wine, cutting boards, or similar property on hand at the beginning and end of the year should be reported in Item 28 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the Form LM-2 report with the identity of the recipient(s) or donor of such property.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

5. "Grossing Up" of Holiday Bonuses

District Council 30 did not maintain records to verify that the bonus payments reported in Schedules 11 and 12 of the LM-2 was the authorized amount and therefore was correctly reported.

Section 5.02(j) of the District Council 30 Bylaws state, in part: "The Delegates of the District Council may authorize an amount, up to two weeks salary, payable as a holiday bonus in years that the finances of the District Council, in their sole opinion, would so warrant." The audit revealed that the union "grossed-up" your holiday bonus so that the net amount equaled the gross amount of two weeks of your salary, resulting in you receiving a holiday bonus that appears to have exceeded the amount authorized in the union's bylaws by \$4,579.08.

During the exit interview, you stated that the union "grossed-up" the holiday bonuses it paid to all staff members, including yourself, and that this has been the historic practice of the union. However, the union's bylaws do not state that holiday bonus payments can be "grossed-up" and no authorization for this was identified in the union's minutes or any other record. The union must keep a record, such as meeting minutes, to show the current salaries and bonuses authorized by the entity or individual in the union with the authority to establish salaries and bonuses.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file District Council 30's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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-2 filed by District Council 30 for the fiscal year ended December 31, 2021, was deficient in that:

Acquire/Dispose of Property

The audit revealed that while Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) was answered, "Yes," the union did not identify gift cards and other gifts it gave away totaling at least \$11,632 or the recipients of these items in the additional information section of the LM report. 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. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as “members” or “new retirees.” In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

I am not requiring that District Council 30 file an amended LM report for 2021 to correct the deficient item, but District Council 30 has agreed to properly report the deficient item on all future reports it files with OLMS.

Other Issue

Per Diem and Meal Expenses for the Leadership Conference in Las Vegas, NV

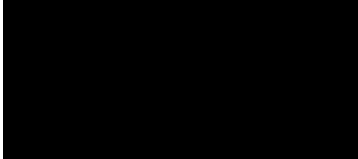
During the audit period, at least seven officers and employees of District Council 30 attended a leadership conference in Las Vegas, NV. Each officer and employee received \$150 per diem each day they attended the conference; however, in addition to per diem, officers and employees who attended the conference were also reimbursed for 34 meal expenses totaling at least \$13,543. Additionally, a review of meal receipts submitted by attendees of the leadership conference revealed multiple instances of reimbursed meal expenses that were incurred late at night, well outside of normal business hours, including several expenses that occurred after 1:00 AM.

District Council 30’s expense policy defines business meals as “...meals with members, prospects, recruits or vendors during which substantial business discussions take place.” During the exit interview, you were unable to identify a specific union purpose for these meal reimbursements. Attorney Burns stated that it is not unusual for union officers or employees to hold business discussions at a bar, sometimes late at night, but acknowledged that reimbursements for expenses that occurred between 1:00 AM and 2:00 AM could be “problematic.”

During the exit interview, you were advised that the union should review and update its expense policies for per diem and reimbursed meal expenses. OLMS also recommends a careful review of expense vouchers as this can help ensure adequate internal controls and safeguard union assets.

I want to extend my personal appreciation to Painters District Council 30 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,



Senior Investigator

cc: Aaron Anderson, President
Jennifer Sherman, Controller
James Williams Jr., International General President
Gregg Smith, International General Secretary-Treasurer
Martin Boyle, CPA, MacNell Accounting and Consulting
Joseph Burns, Attorney, Jacobs, Burns, Orlove, and Hernandez