

U.S. Department of Labor

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August 28,2008

Mr. Graham Clark, Local President
Plumbers AFL-CIO
Local 4
330 SW Cutoff
Worcester, MA 01604

LM File Number 042-915

Case Number: [REDACTED]

Dear Mr. Gallen:

This office has recently completed an audit of 1³ plumbers Local 4 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 Local Business Manager Raymond Beaudry, Local Office Manager Wendy Parsons, and Certified Public Accountant Jim Goulet on August 27,2008, 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.

The CAP disclosed recordkeeping violations, reporting violations, other violations, and other issues.

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 4's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 4 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$13,465. For example, union vehicle maintenance and gasoline expenses, meals, conference hotels and rental cars, and other expense documentation was not retained.

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. Meal Expenses

Local 4 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$2,785. 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.

Local 4 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. 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. Other Expenses

Local 4 did not retain adequate documentation for local expenses and credit card expenses totaling at least \$44,500. These expenses included: professional fees paid for accounting services, conference room rentals, postal mailings, purchase of local computer, and other office and administrative expenses. As previously noted above, labor organizations must retain adequate documentation to sufficiently fulfill the recordkeeping requirements of LMRDA Section 206.

4. Failure to Record Disbursements

Local 4 did not record in its disbursements records some funds disbursed to trust funds totaling at least \$196,694. Union disbursements records must include an adequate identification of all money the union disburses. The records should show the date and amount disbursed, and the receiver of the money.

5. Failure to Record Receipts

Local 4 did not record in its receipts records some funds received from trust funds totaling at least \$296,695. 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.

6. Other Receipts

Local 4 did not retain adequate documentation for local receipts totaling at least \$8,750. These receipts included: local member dues, reimbursements to the local from officers and employees, sales receipts from movie tickets and other items, golf tournament receipts, and other receipts. As previously noted above, labor organizations must retain adequate documentation to sufficiently fulfill the recordkeeping requirements of LMRDA Section 206.

7. Disposition of Property

Local 4 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. 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 28.

The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 4'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.

Based on your assurance that Local 4 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

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-2) filed by Local 4 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Failure to Report Receipts and Disbursements

Local 4 did not report at least \$5,625,818 in local receipts received for trusts and \$5,618,117 in local disbursements to trusts in Statement B of the local's LM-2 filed for the fiscal year ending December 31, 2006. Statement B instructions require that receipts must be recorded when money is actually received by the labor

organization and disbursements must be recorded when money is actually paid out by the labor organization.

2. Failure to Sign LM Report

Local 4 did not require its local president to sign the local's LM-2 filed for the fiscal year ending December 31,2006. According to the LM-2 Instructions for Items 70-71 (Signatures), "the completed Form LM-2 that is filed with OLMS must be signed by both the president and treasurer, or corresponding principal officers, of the labor organization.

3. 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 4 amended its constitution and bylaws in 2004, but did not file a copy with its LM report for that year.

Local 4 has now filed a copy of its constitution and bylaws.

Local 4 must file an amended Form LM-2 for fiscal year ending December 31,2006, to correct the deficient items discussed above. I explained to you the filing procedures and the availability of filing software on the OLMS website (www.olms.dol.gov). The amended Form LM-2 must be electronically filed as soon as possible, but not later than September 19,2008. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

Other Violations

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 4's officers and employees 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

Retention of Voided and Cancelled Checks

Local 4 did not retain seven voided checks and six cancelled checks. All voided and cancelled checks should be retained by the local. OLMS recommends that Local 4 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Plumbers Local 4 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,

Mark Letizi
District Director

cc: Raymond Beaudry, Local Business Manager
Wendy Parsons, Local Office Manager
Jim Goulet, Certified Public Accountant