

**U.S. Department of Labor**

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August 20,2008

Mr Billy Snyder, Business Manager  
Plumbers AFL-CIO  
Local 372  
3888 Greensboro Avenue  
Tuscaloosa, AL 35405

LM File Number 038-819

Case Number: [REDACTED]

Dear Mr. Snyder:

This office has recently completed an audit of Plumbers Local 372 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 Secretary Fay Beck on August 12,2008, 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 the following:

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 372's 2006 and 2007 records revealed the following recordkeeping violations:

1. Lack of Salary Authorization

Local 372 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) of the LM-2 was the authorized amount and therefore was 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.

2. Union Hall Rental

The union has five different verbal rental agreements with tenants who pay Local 372 for the use of their union hall. A total of \$4,680 was paid to Local 372 from July 1,2006 through June 30,2007. Local 372 did not have any invoices or supporting documentation to support the union hall rental. The union must record in at least one record the date and amount received from each rental of the union hall.

3. General Disbursements

Local 372 did not retain adequate documentation for general disbursements from the union's funds. For example, Check Number [REDACTED] dated March 14,2007, for \$150.00, payable to [REDACTED] for stair repairs and labor charges for repairs at the union hall did not have an invoice, receipt, or bill of sale. Additionally, the union could not produce receipts for the purchase of a computer (Dell Desk Top) purchased in 2003. Also they could not produce a receipt for the purchase of a Panasonic fax machine purchased in June 2006. 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.

Based on your assurance that Local 372 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 372 for fiscal year ending June 30,2007, was deficient in the following areas:

#### 1. Failure to File By Laws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 372 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year. As agreed, Local 372 will file a copy of its current constitution and bylaws with OLMS as soon as possible but not later than September 30,2008.

#### 2. Cash Receipts

It appears that the cash figures reported in Item 42 for 2007 are not the cash figures according to the union's books after reconciliation to the bank statements. The union reported \$5,503.00 when the actual figure should have been \$4,680.00. The instructions for Item 42 state that the union should report the total amount of rents received by your organization. Receipt balances obtained from the union books as reconciled to the deposits shown on bank statements should be reported.

#### 3. Sale of Supplies (LM-2)

Local 372 did not correctly report receipts from the sale of supplies or disbursements for supplies for resale. The audit revealed that during 2007, Local 372 disbursed at least \$992.19 for items that it re-sold to members, collecting receipts totaling at least \$815.00. The LM-2 instructions require that the union report receipts from the sale of supplies in Item 39 (Sale of Supplies) and disbursements for supplies for resale in Item 59 (Supplies for Resale). In addition, it must report the value of any supplies for resale on hand at the beginning and end of the year in Item 28 and Schedule 7 (Other Assets).

#### 4. Number of Members

Local 372 did not correctly report its number of members in Item 20 on its LM-2 for 2007. Item 20 was annotated with a zero for 2007. Local 372 actually had 216 members as of June 30,2007. The instructions for Item 20 indicate that the total number of all members of the labor organization must be reported.

#### 5. Withholding Taxes and Other Payroll Deductions

Items 67(a), 67(b), and 67(c) on the LM-2 for 2007 were annotated with zero. Local 372 has two full time paid officers/employees. An analysis of the W-2's for these individuals revealed taxes were withheld. The instructions for Item 67(a) states to enter the total amount of withholding taxes and all other payroll deductions during the reporting period. The instructions for Item 67(b) indicate to enter the total amount of withholding taxes and all other payroll deductions that were disbursed by your organization during the reporting period. Finally, the Item 67(c) calculates the total withheld but not disbursed.

Local 372 must file an amended Form LM-2 for fiscal year ending June 30,2007, 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](http://www.olms.dol.gov)). The amended Form LM-2 must be electronically filed as soon as possible, but not later than September 12, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

#### 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 372'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

Signing Blank Checks

During the audit, you advised that both you and Steve Harbin sign blank checks. Your union's bylaws are not clear on check signatures and do not specifically address who can sign the union's checks. 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 372 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Plumbers Local 372 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: Steve Harbin, President