

U.S. Department of Labor

Office of Labor-Management Standards
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April 2, 2010

Mr. John Ashley, Financial-Secretary
Plumbers, Local 3
17100 E. 32nd Ave.
Aurora, CO 80011

LM File Number: 023-480
Case Number: [REDACTED]

Dear Mr. Ashley:

This office has recently completed an audit of Plumbers, Local 3 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 Kurt Steenhoek on March 26, 2010, 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 3's 2009 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 3 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by executive board members, totaling at least \$968. For example, a union officer did not obtain a receipt for a \$210 purchase at Comfort Inn.

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 3 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$686. 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.

Based on your assurance that Local 3 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 3 for fiscal year ending June 30, 2009, was deficient in the following areas:

1. Fixed Assets

The union erroneously reported two additional automobiles on the fixed assets schedule, which were traded in for two new cars in previous year

2. Subsidiary Organization

The union did not report its building corporation on its LM-2 report for fiscal year ending on June 30, 2009. Item number 10 did not disclose the existence of a subsidiary organization. Furthermore, the building corporation investment was not disclosed in the investments schedule.

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 3 amended its constitution and bylaws in 2007, but did not file a copy with its LM report for that year. Local 3 has now filed a copy of its constitution and bylaws.

Local 3 must file an amended Form LM-2 for fiscal year ending June 30, 2009, 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 April 30, 2010. 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:

1. 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.

Local 3's officers and employees are currently bonded for \$50,000, but they must be bonded for at least \$381,468. Local 3 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than April 30, 2010.

I want to extend my personal appreciation to Plumbers, Local 3 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: Mr. Kurt Steenhoek, Business Manager