



November 13, 2012

Mr. Roger Lambert, President
Plumbers AFL-CIO
Tennessee Pipe Trades SA
121 Spring Street
Johnson City, TN 37604

Case Number: [REDACTED]
LM Number: 048-720

Dear Mr. Lambert:

This office has recently completed an audit of Plumbers AFL-CIO, Tennessee Pipe Trades SA 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 Treasurer Franklin A. Rodgers on November 13, 2012, 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 Tennessee Pipe Trades' 2011 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Tennessee Pipe Trades did not retain adequate documentation for credit card expenses incurred by union officers and employees totaling at least \$6,407.52. For example, union officers and employees charged at least \$6,031.53 in lodging expenses and \$375.99 in fuel expenses to the union's credit card, but failed to retain the receipts.

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

Tennessee Pipe Trades did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$1,211.61. 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.

Tennessee Pipe Trades' 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, Tennessee Pipe Trades maintained the receipts for meal expenses totaling at least \$730.95, but did not indicate names and titles of the persons incurring the meal expense. The union also did not identify the union business conducted for meals totaling at least \$179. 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. Receipt Dates not Recorded

Entries in Tennessee Pipe Trades' QuickBooks accounting software reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The LM-2 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Tennessee Pipe Trades' 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 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 Tennessee Pipe Trades for the fiscal year ended December 31, 2011, was deficient in the following areas:

1. Disbursements to Officers and Employees

Tennessee Pipe Trades did not include some reimbursements to officers and employees/ payments to officers and employees totaling at least \$432.54 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

2. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Tennessee Pipe Trades' books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

3. Purchase of Fixed Assets

Tennessee Pipe Trades purchased a computer for \$699.98 during the audit year, but did not report the purchase in Schedule 4 (Purchase of Investments and Fixed Assets) and in Item 60 (Purchase of Investments and Fixed Assets) of the LM-2 report. The LM-2 instructions require labor organizations to report fixed assets, including those fixed assets that were

expensed (that is, the cost of the asset was charged to current expenses, rather than entered on the books and periodically depreciated), during the reporting period.

4. 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. Tennessee Pipe Trades amended its constitution and bylaws in 2004, but did not file a copy with its LM report for that year. Tennessee Pipe Trades has now filed a copy of its constitution and bylaws.

I am not requiring that Tennessee Pipe Trades file an amended LM-2 report for 2011 to correct the deficient items, but Tennessee Pipe Trades has agreed to properly report the deficient items on all future reports it files with OLMS.

5. Form LM-30 (Labor Organization Officer and Employee Annual Report)

Mr. Lambert, while you were an executive board member of Tennessee Pipe Trades, the union purchased a vehicle from your dealership, Tennessee Valley Auto Sales, for \$12,500 on or about January 9, 2008. However, you did not file Form LM-30 (Labor Organization Officer and Employee Annual Report) to report the transaction.

The LMRDA requires union officers and employees to file a Form LM-30 to make public any actual or likely conflict between their personal financial interests and their obligations to the union and its members. If you, your spouse, or your minor child held an interest in or received income or other benefits from a business which meets either of the following two conditions:

- a substantial part of the business consists of buying from, selling or leasing to, or otherwise dealing with the business of a represented employer; or
- any part of the business consists of buying from, selling or leasing directly or indirectly to , or otherwise dealing with your labor organization or a trust in which your labor organization is interested.

You agreed to file a Form LM-30 for fiscal year ended December 31, 2008 no later than December 13, 2012.

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 Tennessee Pipe Trades' officers and employees were not bonded for the minimum amount required at the time of the audit. However, Tennessee Pipe Trades 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 Issue

Use of Signature Stamp

During the audit, Mr. Rodgers advised that it is Tennessee Pipe Trades' practice for Plumbers Local 17 office secretary Jeannie Combs to stamp the signature of Rodgers' on union checks. The Tennessee Pipe Trades' bylaws are silent regarding check signing. OLMS recommends a two signature requirement as an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use of a signature stamp does not attest to the authenticity of the completed check, and negates the purpose of a two signature requirement. OLMS recommends that the Tennessee Pipe Trades review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Tennessee Pipe Trades 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Mr. Franklin A. Rodgers, Treasurer