

**U.S. Department of Labor**

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March 3, 2009

Mr. James Becker, President  
Plumbers AFL-CIO Local 300  
2901 Twin City Drive  
Mandan, ND 58554-3816

LM File Number: 540-995  
Case Number: [REDACTED]

Dear Mr. Becker:

This office has recently completed an audit of Plumbers Local 300 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 Cindy Klein on October 22, 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.

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 300's 2007 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 300 did not retain adequate documentation for credit card expenses incurred by union officers totaling at least \$4,300. For example, Business Agent Jeff Brudvig incurred a \$562 expense for advertising in the Sioux Falls Argus Leader newspaper in November. However, no supporting documentation was retained for the expense. Additionally, Local 300 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$2,500 (of the \$4,300 in expenses).

Itemized receipts provided by restaurants to officers and employees must be maintained. 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. In addition, Section 206 requires that 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.

2. Union Owned/Leased Vehicles

Local 300 did not maintain records necessary to verify the accuracy of the information reported in Schedule 11 (All Officers and Disbursements to Officers) concerning the reporting of automobile-related expenses. During the audit, you stated that you use the union vehicle for union business with limited personal use (commuting to and from the office). However, no mileage logs were maintained to verify business versus personal use of the vehicle.

The LM-2 instructions include specific rules for the reporting of automobile expenses. Operating and maintenance costs for each owned or leased vehicle must be reported in Schedule 11 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.

Based on your assurance that Local 300 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 300 for fiscal year ending December 31, 2007, was deficient in the following areas:

##### Cash

It appears that the cash figures reported in Item 22 (Cash) are not the cash figures according to the union's books after reconciliation to the bank statements. For example, Item 22(a) (Start of the Reporting Period Cash) reports that cash was \$768,146. The audit revealed that it appears Local 300 did not include the balance of a share draft account in Fargo in the amount reported in Item 22(a). Local 300's records show that it actually had \$785,803 in its checking account, savings account, and certificates of deposit as of January 1, 2007 which should have been reported in Item 22(a).

The instructions for Item 22 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements. Include all cash on hand such as undeposited cash and cash on deposit in banks such as checking accounts, savings accounts, certificates of deposit, and money market accounts. Additionally, cash reported at the beginning of the reporting period in Item 22(a) should equal Item 22(b) (End of the Reporting Period Cash) from the LM-2 report for the previous fiscal year.

#### 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 300's officers and employees were not bonded for the minimum amount required at the time of the audit. However, evidence that adequate bonding coverage has since been obtained has been provided to OLMS. As a result, OLMS will take no further enforcement action regarding this issue.

I want to extend my personal appreciation to Plumbers Local 300 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: Business Manager Logan Dockter