

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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April 21, 2009

Walter French, Business Manager
Plumbers Local 403
3710 Broad Street
San Luis Obispo, CA 93401

LM File Number: 024-385
Case Number: [REDACTED]

Dear Mr. French:

This office has recently completed an audit of Plumbers Local 403 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 Office Manager Stephanie Ballard and you on April 17, 2009, 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 403's 2007 records revealed the following recordkeeping violation:

Officer and Employee Expenses

Local 403 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by Business Manager Walter French. For example, Mr. French received two checks (check [REDACTED] and check [REDACTED]) in the amount of \$100 each for reimbursement of political contributions. However, no receipts were retained to support either payment. In addition, records retained for travel expenses do not identify the union business conducted that required the expenses to be incurred. As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements.

Based on your assurance that Local 403 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

Reporting Violation

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial conditions and operations. The LM-2 filed by Local 403 for fiscal year ending December 31, 2007 was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 403 did not include some payments to officers and employees totaling at least \$600 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees).

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. Failure to File

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union file the Labor Organization Information Report (LM-1) along with a copy of union's constitution and bylaws within 90 days after the union first becomes subject to the LMRDA. Local 403 became subject to the LMRDA in 2005, but did not file a corresponding LM-1 after they disjoined from Local 409.

Local 403 has now filed an amended LM-1 Report and along with a copy of their constitution and bylaws.

I am not requiring that Local 403 file an amended LM report for 2007 to correct the deficient items, but Local 403 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

The audit revealed that Local 403 permits officers to use union credit cards to pay for personal expenses. Although officers promptly repaid Local 403 for the personal expenses charges, OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds.

I want to extend my personal appreciation to Plumbers Local 403 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,

Alan Weiss
District Director

cc: Larry Murray, President