



October 25, 2010

Ms. Diane Crugar, Secretary-Treasurer
Plumbers Local 781
7900 SE 232nd Street
Lathrop, MO 64465

Case Number: [REDACTED]
LM Number: 034886

Dear Ms. Crugar:

This office has recently completed an audit of Plumbers Local 781 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 on October 22, 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 781's 2009 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 781 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers totaling at least \$2,000. For example, the local did not retain adequate documentation, such as a receipt, for a hotel charge on the local's credit card in the amount of \$551.11

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. Receipt Dates not Recorded

Entries in Local 781's receipts journal 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-3. The LM-3 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.

3. Bank Records

Local 781 did not maintain all bank statements for the audit period. Specifically, the local did not maintain bank statements for three of the local's certificates of deposit. The union must retain bank records for all accounts.

Based on your assurance that Local 781 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-3) filed by Local 781 for the fiscal year ended December 31, 2009, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Local 781 did not include some reimbursements to officers totaling at least \$2,000 in the amounts reported Item 24, Column E (All Officers and Disbursements to Officers; Allowances and Other Disbursements). It appears the union erroneously reported these payments in Item 24, Column D (Gross Salary).

The union must report most direct disbursements to Local 781 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

In addition, the gross salary of each officer, including disbursements for "lost time" should be reported in Column D (Gross Salary) of Item 24. The total of all other direct and indirect disbursements to each officer other than salary, including allowances, disbursements which were necessary for conducting union business of the organization, and disbursements essentially for the personal benefit of the officer and not necessary for conducting official business of the organization should be reported in Column E (Allowances and Other Disbursements) of Item 24.

Examples of disbursements to be reported in Column E include: allowances made by direct and indirect disbursements to each officer on a daily, weekly, monthly, or other periodic basis; allowances paid on the basis of mileage or meals; all expenses that were reimbursed directly to an officer; expenses for officers' meals and entertainment; and various goods and services furnished to officers but charged to the organization.

2. 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 781 amended its constitution and bylaws in 2002, but did not file a copy with its LM report for that year.

Local 781 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 781 file an amended LM report for 2009 to correct the deficient items, but Local 781 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

Lost Wage/Expense Policy

As I discussed during the exit interview with you, a review of documents obtained from the employer regarding the president and vice president of your local, revealed that each of these officers was paid at least \$800 in lost wage payments during the audit year for days they were not scheduled to work and did not conduct any union business. This is inconsistent with the local's lost wage policy. As discussed, in the future, please compare employer work history records against local records to verify that all lost wage payments are properly authorized.

The audit also revealed that Local 647 does not have a clear written, approved policy regarding officer lost wage reimbursements. OLMS recommends that your lodge adopt clear policies and procedures for making lost wage or similar payments and use vouchers that require detailed information to support lost wage payments. The policy should incorporate what reimbursement union officials receive for conducting union business on his or her own time (where he/she does not miss scheduled work) such as in the evenings or on weekends.

I want to extend my personal appreciation to Plumbers Local 781 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. Dennis Rohr, President
Mr. David Bales, Vice President