



December 18, 2018

Mr. Dennis Fleming, Business Manager
Plumbers Local 281
11900 S. Laramie Ave.
Alsip, IL 60803

Case Number: 310-6014698
LM Number: 036737

Dear Mr. Fleming:

This office has recently completed an audit of Plumbers Local 281 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, Attorney Will Callinan, Certified Public Accountants Chris Franz, Robert Cann, and Eileen Brassil on December 18, 2018, 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 281's 2017 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 281 did not retain adequate documentation for credit card expenses incurred by union officers and employees totaling at least \$7,000. For example, you and other union officials charged parking, lodging, meeting/event refreshments, car washes, and meals, and gas to

the union credit, but supporting documentation was not always retained. Credit card statements alone are not sufficient to fulfill the recordkeeping requirement.

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

Local 281 did not maintain itemized receipts for meal expenses totaling at least \$5,000. 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.

Local 281 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, totaling at least \$6,000. Local 281 retained the credit card statements and credit card receipts for meals. However, in most instances Local 281 officers failed to include the names and titles of those incurring the meal expenses or the union business conducted. 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. Union Owned/Leased Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) of the LM-2. Local 281 owns six automobiles assigned to officers and employees. During 2017, Local 281 incurred automobile expenses totaling at least \$20,000. However, Local 281 did not maintain records documenting business versus personal use of the union vehicles.

The LM-2 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 and 12 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.

4. Lost Wages

Local 281 did not retain adequate documentation for lost wage reimbursement payments to officers. You advised that officers who work in the field and are not full-time officers of

Local 281 are compensated for attending meetings or other union work as directed by you by receiving lost wages. Officers receive eight hours of lost wages per day at the journeyman rate. Records must be maintained in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that the only record Local 281 maintained was payroll records, which only identified the total hours of lost time per weekly pay period and rate of pay. Neither the check stubs nor any other union record identified the date of the claim or the union business being conducted. During the exit interview, I provided the compliance tip, *Union Lost Time Payments*, which identifies the type of information and documentation that the local must maintain.

5. Receipt Dates and Sources not Recorded

Some of the entries in Local 281's general ledger reflect the date money was deposited instead of the date money was received. In addition, some of the general ledger entries did not always identify the source of the receipt. The only other receipt record maintained were copies of the checks or blank pieces of paper that stated that cash was received. The receipt date was not recorded on these copies, and in instances when cash was received no source was recorded. The date, source, and amount of receipt is required to be recorded in union records 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 reporting some receipts on the LM-2 for a different year than the year it actually received them.

6. Direct Disbursements to Vendors

Local 281 did not retain adequate documentation for expenses paid directly to union vendors totaling at least \$18,600. For example, at least \$12,095 was disbursed to Door and Frame Hardware for a building remodel at the union office/hall. However, supporting documentation was not retained for one invoice totaling \$9,775. As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

7. Lack of Salary Authorization

Office Secretaries Lori Slepski, Ellen Rife, and Michelle O'Malley, and Health & Welfare Fund Administrator Timothy Morrin received salaries from Local 281 totaling at least \$250,000. Local 281 did not maintain records to verify that the salaries reported in 12 (Disbursements to Employees) of the LM-2 was the authorized amount and therefore was correctly reported. Not included in the above total are the wages that Local 281 paid to Mr. Morrin related to the administration of the Health and Welfare Fund (Fund), which were authorized by and later reimbursed to Local 281 by the Fund. However, the wages Local 281 pays Mr. Morrin for work he performs for Local 281 are included in the above total.

You advised that the union wages paid to Mr. Morrin, Ms. Slepski, Ms. Rife, and Ms. O'Malley were authorized many years ago by a previous business manager. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 281 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 281 for the fiscal year ended December 31, 2017, deficient in the following areas:

1. Disbursements to Employees

Local 281 did not include some reimbursements to employees totaling at least \$9,200 in Schedule 12 (Disbursements to Employees). During the audit year, checks were issued to "cash" to reimburse the petty cash fund. Office Secretary Lori Slepski cashed the checks. Since Ms. Slepski negotiated the checks, the disbursements must be reported next to her name in Schedule 12. However, nothing was reported in Column F (Disbursements for Official Business). 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. 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 281 amended its constitution and bylaws in 2012, but did not file a copy with its LM report for that year. Local 281 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 281 file an amended LM report for 2017 to correct the deficient items, but Local 281 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As discussed during the exit interview with you, the audit revealed that Local 281 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters. OLMS recommends that unions adopt written guidelines that identify what types of expenses will be paid.

2. Failure to Update Authorized Signatories at Banks

The audit revealed that former Business Representative Ed Sullivan is listed as an authorized signer for at least four of Local 281's accounts held at CIBC Bank. OLMS recommends that in order to maintain proper internal control of union funds, the authorized signatory information be updated promptly at all banks and for all accounts held in the name of the union whenever there is a change in officers. You advised that Local 281 is currently in the process of updating the signatories.

I want to extend my personal appreciation to Plumbers Local 281 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 Senior Investigator.

Senior Investigator

cc: Mr. William Callinan, Esq. (via email)
Mr. Chris Franz, Certified Public Accountant (via email)
Ms. Robert Cann, Certified Public Accountant (via email)
Ms. Eileen Brassil, Certified Public Accountant (via email)