

**U.S. Department of Labor**

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February 28, 2007

Mr. James Joyner, Financial Secretary  
Plumbers AFL-CIO  
Local 110  
520 Naval Base Road  
Norfolk, VA 23505

LM File Number 028-754

Case Number: [REDACTED]

Dear Mr. Joyner:

This office has recently completed an audit of Plumbers Local 110 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 Vice President Hebba Bray, Office Manager Patricia King, and you on February 27, 2007, 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 adequate records be maintained for at least 5 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information. An exception may be made only in

those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 110's 2005 records revealed the following recordkeeping violations:

#### Officer and Employee Expenses

Union officers and employees failed to maintain adequate documentation for reimbursed expenses and for expenses charged to union credit cards. Receipts must be maintained for all expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded.

#### Automobile Expenses

Union officers who were assigned union-owned automobiles failed to maintain mileage logs documenting the business use of union vehicles. In the case of union-owned vehicles, logs are required to be maintained for each union vehicle documenting the date, number of miles driven, and business purpose of each use.

The LM instructions include specific rules for the reporting of automobile expenses. Operating and maintenance costs for each union owned or leased vehicle must be reported in Schedule 11 of the LM-2, allocated to the officer to whom each vehicle is assigned.

#### Receipts

Local 110 failed to maintain some dues check-off lists. All dues check-off lists must be maintained.

Other

Adequate documentation was not retained for some utilities for the union office. All bills are required to be maintained.

As agreed, provided that Local 110 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

**Reporting Violations**

The CAP 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 110 for fiscal year ending December 31, 2005, was deficient in the following areas:

LM-2 Schedules 11 and 12 (All Officers and Disbursements to Officers/Disbursements to Employees)

Local 110 failed to include reimbursements to officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). Such payments appear to have been erroneously reported in Schedules 15 through 19.

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

### Automobile Expenses

Disbursements for the operation and maintenance of union automobiles were not properly reported. The LM-2 instructions provide two methods for reporting automobile-related expenses. Direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance) must be reported in Schedules 11 and 12.

The expenses may be divided and reported in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use. Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer in Column F of Schedule 11 or 12 with an explanation in Item 69 (Additional Information) that the vehicle was used part of the time for personal business. Similarly, if a vehicle assigned to an officer was used less than 50 percent of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the vehicle was used partly for official business.

### Failure to File Bylaws

The CAP 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 constitution or bylaw changes are made. Local 110 amended its constitution and bylaws in 1992, but a copy was not filed with its LM report for that year. A copy of Local 110's constitution and bylaws has now been filed.

Local 110 must file an amended Form LM-2 for fiscal year ending December 31, 2005, to correct the deficient items discussed above. I explained to you the filing procedures and the availability of the filing software on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-2 must be electronically filed as soon as possible, but not later than March 16, 2007. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

## **Other Violations**

### 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 handled by those individuals or their predecessors during the preceding fiscal year. Local 110's officers and employees are currently bonded for \$100,000, but they must be bonded for at least \$124,836.

Local 110 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained, but not later than March 16, 2007.

## **Other Issues**

### Use of Signature Stamps

During the audit, you advised that it is Local 110's practice for Patricia King to stamp your signature and the signature of President John Smith. You also indicated that you are the only person that reviews the checks before they are issued. Requiring two original signatures on union checks is 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 signature stamps for both signatures does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the countersignature requirement. I recommend that Local 110 review these procedures to improve internal control of union funds.

### Credit Card Review

During the audit, you advised that no one regularly reviews the credit card charges that appear on the union's credit card statements. Regularly reviewing the charges on the union's credit card statements is an effective internal control of union funds. I strongly recommend that Local 110 review this policy to improve the internal control of union funds.

I want to extend my personal appreciation to Plumbers Local 110 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

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passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

[REDACTED]

Investigator

cc: President John Smith  
Vice President Hebba Bray