U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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July 11, 2007

Mr. Michael Toner, Business Manager
Plumbers AFL-CIO
Local 553
2 South Wesley
East Alton, IL 62024

LM File Number 013-039
Case Number: [redacted]

Dear Mr. Toner:

This office has recently completed an audit of Plumbers Local 553 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 July 9, 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.

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 553 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Purchase of Investment and Fixed Assets

   In 2006, the local purchased a 2003 Cadillac CTS for Business Representative Christopher Stanley. The car was purchased for $25,160. Schedule 4, Purchase of Investment and Fixed Assets, shows the purchase amount and book value as $16,690. Therefore, the vehicle is undervalued on Schedule 6, fixed assets, for

automobiles and other vehicles. The value of the car should be reported as $25,160 in Schedule 6.

2. Netting

The local owned a 1998 Oldsmobile Aurora during the first part of 2006. The car was totaled during a storm and the local received a check for $8,470 from State Farm Insurance Company for the totaled vehicle. As noted in the reporting violation above, the local then purchased a Cadillac CTS for $25,160. The LM-2 report for 2006 does not reflect a receipt of $8,470 and indicates the cost of the CTS as $16,690. It appears the amounts were netted to show only the difference between the insurance money received and the cost of the new car. According to the LM-2 instructions, "netting is not permitted." "Netting" is the offsetting of receipts against disbursements and reporting only the balance (net) as either receipt or disbursement.

The report should show a receipt of $8,470 and a disbursement of $25,160.

I am not requiring that Local 553 file an amended LM-2 report for 2006 to correct the deficient items since the local has agreed to properly report the deficient items on all future reports it files with OLMS.

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 for those individuals or their predecessors handled during the preceding fiscal year.

Local 553's officers and employees are currently bonded for $150,000, but they must be bonded for at least $215,000. Local 553 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible.

Other Issues

1. One Signature Per Check

   Your union's bylaws only require that checks be signed by the business manager. Having a two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. OLMS recommends that Local 553 consider revisiting the practice of one signature checks.

2. Record Keeping

   Local 553 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. Most of the receipts contained proper explanation, but the local should be more consistent providing more detailed information for this type of expense.

3. Meeting Minutes

   The meeting minutes for 2006 did not show that the membership was told of the purchase of the 2003 Cadillac CTS. You claim that the membership was told of the purchase at the most recent meeting following the purchase. You stated you will make sure that all major purchases are passed through the membership and recorded in the meeting minutes.

I want to extend my personal appreciation to Plumbers Local 553 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,

[redacted]
Investigator

cc: Christopher Stanley, Business Representative