



April 5, 2011

Mr. Carl Crimmins, President
Minnesota Pipe Trades
4402 Airpark Blvd
Duluth, MN 55811

Case Number: [REDACTED]
LM Number: 537334

Dear Mr. Crimmins:

This office has recently completed an audit of Minnesota Pipe Trades 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 Karen Mertz, Secretary Treasurer John Grahek, Attorney Frank Vogl, CPA Steven Licari, and you on March 9, 2011, 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 Minnesota Pipe Trades 2010 records revealed the following recordkeeping violations:

1. Meal Expenses

Minnesota Pipe Trades did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$10,366.54. For example, on August 12, 2009 you purchased a meal at Sposita's Restorante in West Bloomfield, MI totaling \$461.04 using the Minnesota Pipe Trades credit card issued to you. However, the itemized receipt was not maintained by the union for this disbursement. The only receipt maintained was the signature receipt on which the tip and total amount was entered. In another example there was no receipt maintained for a meal you purchased on May 30, 2009 at Lake Center Bar and Grill in Annandale, MN in the amount of \$667.11. The purpose noted in union records for this meal was indicated as "bike run." Additionally, there were other meals purchased by you and Minnesota Pipe Trades Organizers for which the union business purpose written on receipts was vague with notations such as "lunch" or "lunch meeting." A more descriptive business purpose must be provided for any disbursements for meals. 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. 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.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and secretary treasurer of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Union Owned Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2.

Minnesota Pipe Trades incurred automobile related expenses totaling at least \$8,560.38, and a cursory review of all automobile related expenses incurred by all officers and employees revealed that a substantially higher amount of such expenses were incurred. However, the union did not maintain records documenting business versus personal use of the union vehicles. No records of any kind were maintained in support of mileage expenses. 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.

3. Other Expenses

Minnesota Pipe Trades did not maintain adequate documentation for a cash withdrawal of \$1,000 you made from the union's general fund checking account on June 15, 2009. The union's disbursements journal states that the purpose of the withdrawal was "golf raffle." Minnesota Pipe Trades Attorney Frank Vogl stated that the funds were used for ten \$100 prizes presented to winners of a raffle that was conducted during the dinner held following a golfing event at Fortune Bay Resort in Tower, MN. However, the union maintained no records which provide any details about the raffle, including the names of those who won each of the ten \$100 prizes.

4. Receipt Dates not Recorded

Entries in Minnesota Pipe Trade'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-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 the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Minnesota Pipe Trades 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 Minnesota Pipe Trades for fiscal year ending March 31, 2010, was deficient in the following areas:

1. Disbursements to Officers and Employees

A review of credit card disbursements made by officers and employees of Minnesota Pipe Trades for temporary lodging and for transportation by a public carrier revealed that the union erroneously included these indirect disbursements to officers and employees in the amounts reported in Column F (Disbursements for Official Business) of Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2. Indirect disbursements to officers and employees for temporary lodging and for transportation by a public carrier must be reported in Schedules 15 – 19 as appropriate.

Direct disbursements to officers and employees for reimbursement of expenses they 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 union personnel incur must be reported in Column F of Schedules 11 and 12. However, as noted on page 18 of the LM-2 instructions for Schedule 11, "Do not report the following disbursements in Schedule 11: Indirect disbursements for temporary lodging (room rent charges only) or transportation by public carrier necessary for conducting official business while the officer is in travel status away from his or her home and principal place of employment with the labor organization if payment is made by the labor organization directly to the provider or through a credit arrangement and these disbursements are reported in disbursement 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.

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. Minnesota Pipe Trades amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year.

I am not requiring Minnesota Pipe Trades to file an amended LM report for 2010 to correct deficient items, but Minnesota Pipe Trades has agreed to properly report the deficient items on all future reports its files with OLMS.

I want to extend my personal appreciation to Minnesota Pipe Trades 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: John Grahek, Secretary Treasurer
Frank Vogl, Attorney
Steven Licari, CPA