



March 15, 2013

Mr. Gary Cook, Business Manager  
Plumbers Local 78  
1111 James M. Wood Blvd  
Los Angeles, CA 90015-1213

Case Number: 520-13401 [REDACTED]  
LM Number: 028033

Dear Mr. Cook:

This office has recently completed an audit of Plumbers Local 78 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, Local President Terry Schweers, Executive Board Members Terry Lairson, Danni Navarro, Scott Pearson, Matt Montgomery, and Bill Hilliard, Finance Committee Members Robert Bailen, Paul Flores, and David Kessinger, Miller Kaplan Arase Partners Kami Comen and Kenneth Holmer, Miller Kaplan Arase Audit Supervisor Anne Mapile, Miller Kaplan Arase Manager Alex Berkhina and Attorney Jeffrey Cutler on January 29, 2013, 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 78's 2011 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 78 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by Business Manager Gary Cook totaling at least \$2,872.63. For example, purchases for some restaurant meals, beverages, and union equipment, using the union's credit card lacked supporting documentation detailing the purpose of the expenditures and the nature of the union business to which they pertained.

As previously 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 78 did not require Business Manager Gary Cook to submit itemized receipts for meal expenses totaling at least \$1,986.74. 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 78 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. For example, various restaurant expenses incurred by Business Manager Gary Cook, including, but not limited to expenditures at Yard House, ESPN Zone, Pacific Dinning Car, El Patio, Oliva Trattoria, Marriott Restaurant-LA Live, Denny's, Chicago for Ribs, King's Fish House, La Serenata, Fleming's, etc. lacked the descriptive details to substantiate the union business to which they pertained. 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. Information not Recorded in Meeting Minutes

During the audit, former Bookkeeper Dora Todd advised OLMS that the executive board and membership authorized and/or approved local expenses at its monthly meetings. Article VI, Section 6, of Local 78 Constitution and Bylaws requires that "[n]o expenditure of money shall be made without recommendation from the

Executive Board with the approval of the Local Union except as otherwise provided for in these By-Laws and/or the U.A. Constitution. " However, the minutes of the meeting do not contain any reference to the expenditures mentioned above. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings

Based on your assurance that Local 78 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 78 for fiscal year ending December 31, 2011, was deficient in that or deficient in the following area:

#### 1. Disbursements to Officers and Employees

Local 78 did not include some reimbursements to Business Manager Gary Cook totaling at least \$2,872.63 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). 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 78 amended its

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

Local 78 has now filed a copy of its constitution and bylaws.

Local 78 must file an amended Form LM-2 for fiscal year ending December 31, 2011, to correct the deficient items discussed above. I explained to you the filing procedures and the availability of filing software on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-2 should be electronically filed as soon as possible, but not later than April 31, 2013, as agreed. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

#### Other Issue

##### Expense Policy

As I discussed during the exit interview, the audit revealed that Local 78 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.

I want to extend my personal appreciation to Plumbers Local 78 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,

Beverly Perkins  
District Director

cc: Scott Pearson