



April 3, 2019

Mr. Paul Puente, Executive Secretary
Houston Gulf Coast Building and
Construction Trades Council
1301 W. 13th Street
Suite D
Deer Park, TX 77536

Case Number: 420-6015397 [REDACTED]
LM Number: 015489

Dear Mr. Puente:

This office has recently completed an audit of Houston Gulf Coast Building and Construction Trades Council (HGCBCTC) 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 and Office Manager Maria Hernandez on March 27, 2019, 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 the HGCBCTC's fiscal year ending January 31, 2018 records revealed the following recordkeeping violations:

1. Credit Card Expenses

The HGCBCTC did not retain adequate documentation for credit card expenses incurred by you totaling at least \$296.60. For example, credit card receipts for meals purchased at the Marriott Marquis, the La Margarita, Pappadeaux Seafood, and Gloria's were not maintained in the union's records.

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

The HGCBCTC's 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, a \$528.05 meal purchase at Vic and Anthony's did not record the attendees' names, titles, or what union business was 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.

Based on your assurance that the HGCBCTC 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-3) filed by the HGCBCTC for the fiscal year ended January 31, 2018, was deficient in the following areas:

1. Disbursements to Officers

The HGCBCTC did not report indirect payments to officers for meals and entertainment totaling at least \$824.65 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expenses).

The union must report most direct disbursements to HGCBCTC officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company)

for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Subsidiary Reporting

The HGCBCTC uses Method 2, as described in the “Instructions for Form LM-3,” to report information regarding its subsidiary organization, the Construction Crafts Building Corporation. As such, the HGCBCTC must report this organization as either an investment in Item 28 (Investments) or Item 30 (Other Assets) if this organization is of a non-investment nature.

I am not requiring that the HGCBCTC file an amended LM report for fiscal year ending January 31, 2018 to correct the deficient items, but the HGCBCTC has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed that the HGCBCTC’s officers and employees were not bonded for the minimum amount required at the time of the audit. However, the HGCBCTC obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

I want to extend my personal appreciation to the HGCBCTC 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,



Senior Investigator