

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Nashville District Office
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September 28, 2006

Donald Stanley, Business Manager
Asbestos Workers Local 78
2653 Ruffner Road
Birmingham, AL 35210

Re: Case Number. XXXXXXXXXX

Dear Mr. Stanley:

This office has recently completed an audit of 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 on September 14, 2006, 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.

The CAP disclosed three violations of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. First, the Labor Organization Annual Report (Form LM-2) filed by Local 78 for fiscal year ending December 31, 2005, was deficient in that the receipts of the Mortuary Fund, totaling \$18,989, were not reported. Payments from members specifically for the Mortuary Fund were deposited directly into that account. Your accountant was under the mistaken belief that these receipts were deposited to the General Fund account and then transferred to the Mortuary Fund account. Secondly, only the three officers who received payments from the union were shown on Schedule 11 of the report, rather than all officers, as is required. Finally, officer travel expenses were not included in Schedule 11, column F, as required. The only expenses that were reported in Schedule 11 were the auto expenses for the union owned auto that is assigned to you.

These reporting deficiencies were discussed with your accountant Beth Allen, and the reporting requirements in these areas were explained to her. I am not requiring that Local 78 file an amended LM report for 2005 to correct the deficient items, but as

agreed, Local 78 will properly report the deficient items on all future reports filed with this agency.

Also, 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 78's 2005 records revealed that the source of money collected by union stewards for donation to the ~~██████████~~, the widow of a union member, was not maintained. In this situation, the source of the union funds was the members who made contributions and not simply the steward to who collected the money and forwarded it to the union office.


As agreed, provided that Local 78 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding this violation.

The audit also 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 78's officers and employees were bonded for \$65,000, but they must be bonded for at least \$101,085. Adequate bonding coverage was obtained and documentation provided during the audit. Therefore no further enforcement action will be taken.

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I want to extend my personal appreciation to you and Ms. Pickens 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