

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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September 29, 2006

Mr. Richard Smith, President
Honeywell Plant Protection Association
13416 York Avenue South
Burnsville, MN 55337

Re: Case Number

Dear Mr. Smith:

This office has recently completed an audit of Honeywell Plant Protection Association (HPPA) 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 Lori Biernat on August 29, 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.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. 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 HPPA's 2005 records revealed the following recordkeeping violations:

1. Officer / Employee Expenses and Disbursements

HPPA failed to maintain adequate documentation for expenses that were paid directly by the union. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded.

As an example, adequate supporting documentation was not retained for at least nine checks to VFW Golden Valley totaling more than \$1,700 for meeting expenses. For example, check numbers [REDACTED] (all written to VFW - Golden Valley) had no supporting receipts to identify the purpose of the disbursements.

2. Lost Wages

Some vouchers submitted by union personnel for lost wages do not identify the union business conducted that required lost wages be incurred. The lost wage claims must identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. For example, [REDACTED] claimed 2.5 hours worked on his voucher dated 05/04/2005, but the voucher does not identify the union business conducted.

The audit revealed that officers claimed reimbursements for time worked conducting union business before or after working a full eight-hour day for Honeywell. The claims for reimbursement are identified as "lost time." Article 8, Section 6 of HPPA's bylaws state that officers shall not receive any prescribed salary, but they shall be reimbursed for wages and expenses because of union business. Compensation rates for time spent on "union business" shall be reimbursed at their current rate of pay and the current rate of mileage then in effect. During the audit, you advised me that the executive board and membership have historically approved payments to officers for time spent conducting union business outside their normal working hours. The audit revealed that officers attended union meetings on the dates that they worked for Honeywell and also claimed "lost time" or wages from the union. The meetings

were typically held before or after officers worked their normal shifts at Honeywell.

I strongly suggest that HPPA update its officer and employee compensation policies to clarify that officers and employees are entitled to be compensated for work that they do for HPPA outside of their normal working hours at Honeywell.

As discussed with you and [REDACTED] during the exit interview, HPPA will create a form to be used by officers and employees which will distinguish between lost time, other compensable time, and reimbursed expenses for union business. All officers and employees submitting claims will be required to provide details and receipts, if applicable, regarding their claim for reimbursement in order to receive payment.

3. Receipts not recorded

HPPA failed to record all employer check-off checks, all bank account interest, and other receipts, such as money received from HPPA members for retirement dinners held in 2005, in its check register. Receipts records must include an adequate identification of each receipt of money. The records should show the exact date the money was received, the identity of the source of the money, and the individual amount received from each source.

4. Disbursements not recorded

HPPA failed to record some checks and other charges in its check register. For example, [REDACTED] were not recorded and monthly statement fees, service fees, and check card purchases in December 2005 were not recorded. As another example, [REDACTED] received a payment of \$200 ([REDACTED] dated January 5, 2005). The check memo reads '[REDACTED]' and the register notes [REDACTED] but there is no other documentation that further explains the purpose of the check. Documentation was not retained for checks totaling at least \$570.

5. Other

Some checks that were voided and not issued were not retained ([REDACTED]).

As agreed, provided that HPPA maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP 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 HPPA for fiscal year ending December 31, 2005, was deficient in the following areas:

1. LM-3 Item 24 (All Officers and Disbursements to Officers)

HPPA failed to include some reimbursements to officers and employees in the amounts reported in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported on lines 48 through 54 of the LM-3 report for 2005. All direct disbursements to HPPA officers and some indirect disbursements made on behalf of its officers must be reported 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. An "indirect disbursement" to an officer is a payment to another party (including credit card companies) 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. LM-3 Lines 25 through 55 (Assets, Liabilities, Cash Receipts, and Cash Disbursements)

HPPA reported incorrect amounts in the Assets, Liabilities, Cash Receipts, and Cash Disbursements sections on the LM-3 report for 2005, including incorrect beginning and ending cash balances. The amounts reported on lines 25(B) and 37(D) of the LM-3 report for 2004 (Cash and Net Assets, respectively) should have been carried forward to lines 25(A) and 37(A) of the 2005 LM-3 report. In the Cash Receipts section, Line 38 (Dues) did not include all dues received in 2005. Approximately \$2400 was not recorded on line 40 (Fees, Fines, Assessments, and Work Permits) for initiation fees received by HPPA in 2005, and \$142 in interest and dividends received in 2005 were not recorded on line 41 (Interest and Dividends). Funds were received from other sources (e.g., members paying for tickets to the HPPA retirement dinners in 2005) but were not recorded on line 43 (Other Receipts). In the Cash Disbursements section,

incorrect amounts were reported on lines 45, 48, 49, 50, 51, 54, and 55. In addition, HPPA failed to record approximately \$4,500 in disbursements in this section of the 2005 LM-3 report.


3. Line 57 (President Signature, Date, and Telephone Number)

HPPA's LM-3 report for 2005 contains only one signature. The president and treasurer or the corresponding principal officers of the labor organization are required to sign Form LM-3 and are personally responsible for its filing and accuracy. Under the LMRDA, officers are subject to criminal penalties for willful failure to file a required report and for false reporting. False reporting includes making any false statement or misrepresentation of a material fact while knowing it to be false, or for knowingly failing to disclose a material fact in a required report or in the information required to be contained in it or in any information required to be submitted with it.

During the exit interview, you stated that HPPA would file an amended LM-3 report for 2005. Our office has recently received the amended report for 2005 that you submitted, and it has been forwarded to our national office for filing.

I want to extend my personal appreciation to Honeywell Plant Protection Association 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 are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,


Investigator

cc: Lori Biernat, Vice President/Treasurer
