

U.S. Department of Labor

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Office of Labor-Management Standards
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July 5, 2006

Mr. Gerald Eagan, Business Manager
Plumbers AFL-CIO
Local 314
8510 Hillcrest Road
Kansas City, Missouri 64138

Re: Case Number

Dear Mr. Eagan:

This office has recently completed an audit of Plumbers Local 314 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 Gerald Eagan and Steve Eden on June 26, 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.

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.

The audit of Local 314's 2005 records revealed the following recordkeeping violations:

- Union officers and employees failed to maintain adequate documentation for expenses charged to union credit cards. 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.
- Union officers and employees who were assigned union-owned automobiles are required to maintain mileage logs documenting the business use of union vehicles. In the case of union-owned vehicles, logs are required to be maintained for each union vehicle documenting the date, number of miles driven, and business purpose of each use. The LM instructions include specific rules for the reporting of automobile expenses. Operating and maintenance costs for each union-owned vehicle must be reported in Schedule 11 of the LM-2, allocated to the officer to whom each vehicle is assigned.

As agreed, provided that Local 314 maintains adequate documentation, as discussed above, in the future, no additional enforcement action will be taken at this time regarding these violations.

The CAP also 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 314 for fiscal year ending December 31, 2005, was deficient in the following areas:

- The local failed to report the financial secretary's monthly allowance and failed to report expense reimbursements to the business manager, organizer/president, and financial secretary on Schedule 11 of the LM-2. Such payments appear to have been erroneously reported in Schedules 15 through 19. Direct disbursements to officers for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedule 11 (Disbursements for Official Business).
- Disbursements for the operation and maintenance of union automobiles were not properly reported. The LM-2 instructions provide two methods for

reporting automobile-related expenses. Direct and indirect disbursements for the operation and maintenance of union-owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance) must be reported in Schedule 11.

The expenses may be divided and reported in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use. Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer or employee in Column F of Schedule 11 with an explanation in Item 69 (Additional Information) that the vehicle was used part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50 percent of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the vehicle was used partly for official business.

Local 314 must file an amended Form LM-2 for fiscal year ending December 31, 2005, to correct the deficient items discussed above. I explained to you the filing procedures and the availability of the filing software on the OLMS web site (www.olms.dol.gov). Please file the amended Form LM-2 by August 1, 2005. Before filing, review the report thoroughly to be sure it is complete and accurate and properly signed with electronic signatures.

The CAP also found 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 constitution or bylaw changes are made. Local 314 amended its constitution and bylaws in 2004, but a copy was not filed with its LM report for that year.

Since the local has recently filed its constitution and bylaws, no further action is warranted.

In addition to the above violations, the CAP audit also noted the following:

- Authorization for the salary amount paid to the organizer/president could not be found in union records. I recommend that Local 314 document all authorized salary amounts in its bylaws or record them in meeting minutes

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or some other internal document (following discussion in the appropriate membership and/or executive board meeting).

- Local 314's checks do not require a countersignature. A countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. I recommend Local 314 review disbursement procedures and consider improving its internal financial controls through the use of a countersignature requirement on its checks.

I want to extend my personal appreciation to Plumbers Local 314 for the cooperation and courtesy extended during this compliance audit. I 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,

A thick black horizontal line redacting the signature of the investigator.

Investigator