

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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July 10, 2006

Mr. Richard Loyd, Business Manager/Financial Secretary
Sheet Metal Workers AFL-CIO
Local 21
2041 Beaumont Dr.
Baton Rouge, LA 70806

Re: Case Number:

Dear Mr. Loyd:

This office has recently completed an audit of Sheet Metal Workers Local 21 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, office secretary Mary LeBlanc, union attorney Louis Robein, and union accountant Ted Soileau (by telephone) on June 27, 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.

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 21's 2005 records revealed the following recordkeeping violations:

Union officers failed to maintain adequate documentation for expenses charged to union credit cards.

- A number of gasoline credit card slips were missing.
- The date, amount, and business purpose of meal expenses charged to the union credit card were usually recorded on the credit card slip. However, the names of individuals present for meal expenses must also be recorded.

The union failed to maintain records of contractor payments to the union building fund. Union 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.

As agreed, provided that Local 21 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these 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-2) filed by Local 21 for fiscal year ending June 30, 2005, was deficient in the following areas:

Item 11 (Have a political action committee (PAC) fund?) was incorrectly answered, "No." Local 21 had its own PAC fund during 2005. As discussed in the LM instructions, PAC funds kept separate from your union's treasury need not be included in your union's LM report if publicly available reports on the PAC funds are filed with a federal or state agency. Local 21's PAC funds were deposited into its own account and then forwarded to the International. Since these funds were not reported by the union to a federal or state agency, the financial activities of the PAC fund must be included in Local 21's LM report.

Local 21 failed to properly report two "major" transactions in Schedule 18 (general Overhead). A "major" transaction includes any individual transaction of \$5,000 or


more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which cannot properly be reported elsewhere in Statement B. During the audit year, the union made payments in the aggregate amount of \$8500 to L.A. Champagne & Associates and \$7099 to Soileau & Exner. An Initial Itemization page was completed for each; however, these payments were instead reported in Schedule 19 (Union Administration). Also discussed was the requirement to make an entry in the Itemized Transaction line of the Initial Itemization page only when a single payment totaled \$5000 or more. It is not necessary to itemize payments less than \$5000. All payments less than \$5000 for the audit year should be totaled and entered on the Total Non-Itemized Transactions line. These items were discussed with the union's accountant prior to the exit interview, and he understood the reporting requirements and completion of the Initial Itemization pages.

Disbursements for the operation and maintenance of the union were improperly reported in Schedule 19 (Union Administration). The normal expenses associated with the operation and maintenance of the union hall (telephone, utilities, repair, etc) should be reported in Schedule 18 (General Overhead) unless the expense can be allocated to any of the other disbursement categories in Statement B.

I am not requiring that Local 21 file an amended LM report for 2005 to correct the deficient items, but as agreed, Local 21 will properly report the deficient items on all future reports filed with this agency.

I want to extend my personal appreciation to Sheet Metal Workers Local 21 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

cc: Ted Soileau, CPA
Louis Robein, attorney