

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Kansas City Resident Investigative Office
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February 3, 2010

Mr. Jeff Wilkinson, President/Business Manager
Laborers
Local 663
7820 Prospect
Kansas City, MO 64132

LM File Number 042-741
Case Number: [REDACTED]

Dear Mr. Wilkinson:

This office has recently completed an audit of Laborers Local 663 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 on January 28, 2010, 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 the following:

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 Local 663's 2008 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 663 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by Treasurer Jason Mendenhall totaling at least \$4,000. For example, in July 2008, Mendenhall's credit card was reimbursed for \$2,438.72 worth of expenses including hotel expenses of \$952.58 which had no receipts. Also, there were receipts for large meal expenses by Mendenhall which did not have an explanation as to its union purpose.

As previously 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. Failure to Record Receipts and Disbursements (Netting)

Local 663 did not record in its receipts and disbursements records wire transfers made into and out of the local's account totaling at least \$260,000. For example, \$170,547.86 was wire transferred into and out of the general fund for the purchase of the local's new building in Clever. These transactions were not recorded in the local's books. Union receipts and disbursements records must include an adequate identification of all money the union receives and disburses. The records should show the date and amount received and the source of the money, along with its disbursement information.

Based on your assurance that Local 663 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-2 filed by Local 663 for fiscal year ending December 31, 2008 was deficient in the following areas:

1. Failure to Report Financial Activity

Local 663 must report transactions for all accounts held in the local's name. This includes transactions in the local's BBQ fund account, and any other account in the future, which is held under Local 663.

2. Disbursements to Officers and Employees

Local 663 did not include indirect payments to officers and employees for cell phone payments in Schedule 11 (All Officers and Disbursements to Officers). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

3. Failure to File Bylaws

The audit disclosed 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 it makes changes to its constitution or bylaws. Local 663 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year.

Local 663 has now filed a copy of its constitution and bylaws.

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I am not requiring that Local 663 file an amended LM report for 2008 to correct the deficient items, but Local 663 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Laborers Local 663 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: Tim Price, Treasurer