

U.S. Department of Labor

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May 7, 2008

Mr. Brandon Flinn, Business Manager/Secretary-Treasurer
Laborers
Local 42
3710 Enright Avenue
St. Louis, MO 63108

LM File Number 022-166
Case Number: [REDACTED]

Dear Mr. Flinn:

This office has recently completed an audit of Laborers Local 42 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 Irene Jones, Susan Burns, and you on May 6, 2008, 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 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 42's 2007 records revealed the following recordkeeping violations:

1. Officer and Employee Expenses

Local 42 did not retain adequate documentation for all meal, gasoline, and automobile related expenses incurred by various officers on the local's credit cards. As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and business manager/secretary-treasurer of your union, who are required to sign your union's LM report, are responsible for maintaining union records.

2. Automobile Bids

Local 42's meeting minutes reflected that the union obtained two bids to support or justify the price paid by former officer _____ for his union-owned' automobile when he retired in March 2007. However, the only written documentation located in the union's files was the automobile's blue book value which was obtained via the internet. You indicated that at least one of these bids noted in the minutes may have only been verbally provided to the local by a dealer at the time.

Based on your assurance that Local 42 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 42 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Disbursement to Officers

The local did not properly report a retirement gift of \$10,000 paid during the fiscal year to former officer _____ in Schedule 9, Column G on the LM-2. This transaction was improperly reported in Schedule 17 (Contributions, Gifts, and Grants).

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.

2. Acquire/Dispose of Property

The local's trade-in of a 2005 Chrysler during the fiscal year was not properly reported. Question 15 on the LM-2 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered "Yes" due to the local using a previously owned vehicle as a trade-in for a new automobile. The union must also report in Item 69 (Additional Information) the cost, book value, and trade-in allowance for any assets that are traded.

3. Cash Basis Reporting

The audit disclosed that Item 49 (Total Receipts) and Item 68 (Total Disbursements) reflected in Statement B were not accurate based on the financial records maintained by Local 42. The method for reporting receipts and disbursements on a cash basis on the LM-2 was discussed during the exit interview.

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I am not requiring that Local 42 file an amended LM report for 2007 to correct the deficient items, but Local 42 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 42 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: Richard McLaughlin, President