

**U.S. Department of Labor**

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September 16, 2009

Mr. David Pelletier, Financial Secretary  
Plumbers AFL-CIO  
District Council 10  
161 Londonderry Turnpike  
Hooksett, NH 03106

LM File Number 543-638  
Case Number: [REDACTED]

Dear Mr. Pelletier:

This office has recently completed an audit of Plumbers District Council 10 (DC 10) 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 August 26, 2009, 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 District Council 10's 2008 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

DC 10 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by DC 10 Organizer Lance Moran and New England State Pipetrades Association (NESPTA) Regional Organizer Dennis Adams totaling at least \$931.00. For example, the union failed to maintain conference calls or meeting invitations that would explain hotel and lodging expenses charged to the union credit card.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and financial secretary of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

DC 10 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$708.00. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

DC 10 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, DC 10 Organizer Lance Moran and NESPTA Regional Organizer Dennis Adams incurred meal expenses at Longhorn Steakhouse, PF Changs, and the 99 Restaurant, but did not provide itemized

receipts or written explanations of the union business conducted and the names and titles of the persons at the meals. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

### 3. Lack of Salary Authorization

DC 10 did not maintain records to verify that the salaries reported in Schedule 15 (Representational Activities - wage reimbursements for district organizer) and Schedule 19 (Union Administration - wage reimbursements for regional organizer) of the LM-2 were the authorized amount and therefore, were correctly reported. The union must keep a record, such as meeting minutes, to show the current salary and allowances authorized by the entity or individual in the union with the authority to establish salaries.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file District Council 10's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

### 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 DC 10 for fiscal year ending December 31, 2008, was deficient in the following area:

#### Disbursements to Officers and Employees

DC 10 did not report the names of its officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to

Employees). The union must report in Schedule 11 all persons who held office during the year, regardless of whether they received any payments from the union.

DC 10 did not include some payments to employees totaling at least \$20,217.00 in Schedule 12 (Disbursements to Employees). 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.

I am not requiring that DC 10 file an amended LM report for 2008 to correct the deficient items, but DC 10 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Violations

The audit disclosed the following other violations:

1. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that DC 10's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the

audit. As a result, OLMS will take no further enforcement action regarding this issue.

## 2. Extra Pay/Stipend Checks

The audit disclosed that the DC 10 office administrator received one extra paycheck during the audit year. The office administrator has reimbursed the union for this payment.

The audit also disclosed that the NESPTA regional organizer received an extra \$300.00 in stipend payments in 2007. Further, there is no record of tax payments on this \$100 per week stipend.

### Other Issues

## 1. Expense Policy

As I discussed during the exit interview with you, the audit revealed that DC 10 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

## 2. Personal use of Credit Cards

The audit revealed that prior to 2008, DC 10 permitted its former Business Manager and Regional Organizer [REDACTED] to use union credit cards to pay for personal expenses. Although it appears that [REDACTED] repaid DC 10 for the personal expenses charged, OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds.

## 3. Union Computers

The audit disclosed that NESPTA Regional Organizer [REDACTED] retained the DC 10 computer and all-in-one printer upon leaving DC 10 employment and commencing work for NESPTA. As [REDACTED] is no longer an employee of DC 10, OLMS recommends that this computer and printer are returned to the district council or that the district council is compensated for these items.

Mr. David Pelletier  
September 16, 2009  
Page 6 of 6

I want to extend my personal appreciation to Plumbers District Council 10 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: John Napolitano, President  
Jeff Potvin, Vice President