

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Buffalo District Office
130 South Elmwood Avenue
Room 510
Buffalo, NY 14202-2465
(716)842-2900 Fax: (716)842-2901



August 21,2008

Mr. Gregory Lancette, Business Manager
Plumbers, AFL-CIO
Local Union 267
150 Midler Park Drive
Syracuse, NY 13206

LM File Number: 517-594

Case Number: [REDACTED]

Dear Mr. Lancette:

This office has recently completed an audit of Plumbers and Steamfitters Local 267 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 Bookkeeper Terry Thomas, Financial Secretary Michael Duerr, and you on August 19,2008, 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 Plumbers Local 267 records for fiscal year ending December 31,2007 revealed the following recordkeeping violations:

1. Meal Expenses

Local 267 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$2,149. 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.

Furthermore, Local 267's records of meal expenses were not supported with any documentation, except the credit card statement, totaling at least \$516. For example, the union failed to retain a receipt from the Boatyard Grill for \$349.21 and from Wingz for \$35.20. Union records of meal expenses must include not only the itemized receipt but also written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges.

2. Credit Card Expenses

Local 267 did not retain adequate documentation for credit card expenses incurred by Business Manager Gregory Lancette, Business Agents Brad Ward and Bryan Allen, and Organizer Paul Fingland totaling at least \$4,437. Also, Verizon Wireless bills for three officers' phones were not maintained by the union. These bills were paid using the union's credit card. The union did not maintain receipts for lodging and meetings held at the Holiday Inn totaling \$1,127.53. In addition, charges at Staples totaling \$417.88 were not supported with original receipts.

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.

3. Reimbursed Auto Expenses

Business Manager Gregory Lancette, Business Agent Bryan Allen, and Organizer Paul Fingland who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them.

Although a mileage summary was completed by the officers, all necessary information regarding the reimbursement was not maintained. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

4. Receipt Dates not Recorded

Entries in Local 267's receipts journal, both in Quicken and in the AS/400 software program, does not reflect the actual date the money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The LM-2 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that the union 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 Plumbers & Steamfitters Local 267 for fiscal year ending December 31,2007 was deficient in the following areas:

1. All Officers and Disbursements to Officers

Local 267 did not include payments to officers and employees totaling at least \$3,781 in Schedule 11 (All Officers and Disbursements to Officers) and 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.

2. Loans Payable

Local 267 did not include the name of each member receiving a loan from the union in Schedule 2 (Loans Receivable), Column A. The local erroneously listed "various members" as receiving loans throughout the period.

The instructions for Schedule 2, Column A state that you are to enter the name of each officer, employee, or member whose total loan indebtedness to the labor organization at any time during the reporting period exceeded \$250. In addition, the purpose of the loan, the security terms given and the terms of repayment for each loan are to be entered on Lines 1 through 3.

I am not requiring that Local 267 file an amended LM report for 2007 to correct the deficient items, but Local 267 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

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.

Three of Local 267's officers and employees are currently bonded for \$250,000, but they must be bonded for at least \$283,000. In addition, the union's commercial crime bond currently has a deductible of \$250 on the policy. The deductible must be eliminated as it is a form of self-insurance, which fails to meet the bonding requirements of the LMRDA.

In addition, the union's crime bond also includes provisions which are unacceptable. The policy definition of an employee does not include a person who handles funds without being compensated. Also, the policy does not cover a loss resulting from the use of or purported use of credit, debit, or other charge cards.

Local 267 should address these issues in their current crime bond and obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but no later than September 5,2008.

Other Issues

1. Use of Signature Stamp

During the audit, you advised that it is Local 267's practice for use of a signature stamp on occasions in which checks need to be signed and either Business Agent Brad Ward or you are unavailable. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 267 review these procedures to improve internal control of union funds.

2. Inventory of Fixed Assets

As discussed with you during course of the compliance audit and during the exit interview, it is recommended that the union maintain an inventory list of its assets. An inventory list will help you identify, account for, and determine the total value of your union's fixed assets. You agreed to compile such a list and a provide a copy to OLMS.

I want to extend my personal appreciation to Plumbers Local 267 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and any 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: Michael Duerr, Financial Secretary

David Waby, President

Brad Ward, Business Agent