

U.S. Department of Labor

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March 13, 2013

Mr. James Kress, Business Manager
Pittsburgh Sprinkler Fitters & Apprentices
Local Union 542
Post Office Box 58161
227 Stanton Avenue
Pittsburgh, PA 15209

Case Number: 150-10390 [REDACTED]
LM Number: 514825

Dear Mr. Kress:

This office has recently completed an audit of Sprinkler Fitters, Local Union 542 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 Joyce Fries and former Business Manager [REDACTED] on March 12, 2013, 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 Union 542's 2011 records revealed the following recordkeeping violations:

Disposition of Property

Local Union 542 did not maintain an inventory of caps, t-shirts or other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of the year in Item 28 of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information reported in Item 28. In addition, the union must record in at least one record the date and amount received from each sale of union hats, t-shirts or other items.

The audit revealed the union gives away t-shirts to members and their children during the Labor Day parade; however, left over t-shirts are sold to members. In addition, the union sells work gloves throughout the year. Although the union kept a record of who received the items, the union did not maintain an inventory of items remaining at the end of the fiscal year.

The audit also revealed the union gave away gift cards and other gifts to members during the annual holiday party however; the union did not keep a record of who received the items. Although the union maintained all of the receipts to support the purchase of the gift cards and gifts the union did not record who received the items. The union should record somewhere in union records who received the holiday gifts.

Based on your assurance that Local Union 542 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

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 Union 542 for the fiscal year ended December 31, 2011 was deficient in the following areas:

1. Acquire/Dispose of Property

Item 15 [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," because the union gave away caps, t-shirts and gift cards totaling more than \$8,000 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

Local Union 542 must also report the value of the items given away to members and their families in Item 52, Contributions, Gifts and Grants.

2. Disbursements to Officers and Employees

Local Union 542 did not include some reimbursements to officers totaling at least \$544.00 in Schedule 11 (All Officers and Disbursements to Officers). For example, Business Manager [REDACTED] was reimbursed for expenses such as parking and tolls; however, 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. Automobile Expenses

Local Union 542 did not include in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers) disbursements for the operation and maintenance of union automobiles totaling at least \$1,500.

The LM-2 instructions provide two methods for reporting automobile-related expenses. The union must report in Schedules 11 and 12 direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance). The union may divide the expenses and report them in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use.

Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer or employee in Column F of Schedule 11 or 12 with an explanation in Item 69 (Additional Information) that the officer or employee used the vehicle part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50 percent of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the officer or employee used the vehicle partly for official business.

The audit revealed that Business Manager [REDACTED] is assigned a union automobile that is used strictly for union business. The expenses associated with this vehicle that are paid by

the union as a result of its use for official union business, such as insurance and maintenance costs, must be reported in Column F, Disbursements for Official Business.

4. Failure to Itemize Disbursement or Receipt

Local Union 542 did not properly report several “major” transactions in Schedule 17 (Contributions, Gifts and Grants) and 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 the local cannot properly report elsewhere in Statement B. For example, the audit found that the union disbursed over \$5,000 to American Products for the purchase of t-shirts and caps for members but did not identify the vendor in Schedule 17 or on the detailed summary page. In addition, the audit found that the union disbursed over \$14,960 from their Market Recovery Fund to Preferred Fire Protection but did not identify the vendor in Schedule 18 or on the detailed summary page.

5. Sale of Supplies (LM-2)

Local Union 542 did not correctly report receipts from the sale of supplies during the audit year. The audit revealed that although during 2011 Local Union 542 carried an inventory and did not purchase any gloves to be re-sold to members; the union did collect receipts totaling at least \$1,000. The LM-2 instructions require that the union report receipts from the sale of supplies in Item 39 (Sale of Supplies) and disbursements for supplies for resale in Item 59 (Supplies for Resale). In addition, it must report the value of any supplies for resale on hand at the beginning and end of the year in Item 28 and Schedule 7 (Other Assets).

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.

The audit revealed that Local Union 542 officers and employees were not bonded for the minimum amount required at the time of the audit. However, Local Union 542 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.

Local Union 542 must file an amended Form LM-2 for the fiscal year ended December 31, 2011, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The

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amended Form LM-2 must be filed no later than March 26, 2013. Before filing, review the report thoroughly to be sure it is complete and accurate.

I want to extend my personal appreciation to Sprinkler Fitters, Local Union 542 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,

[REDACTED]
Investigator

cc: Mr. Kevin P. Criswell, President
Mr. [REDACTED], CPA