
March 31, 2005

Mr. Kevin Sexton, Business Manager
Plasterers and Cement Masons AFL-CIO
Local 518
301 South Main Street
Independence, Missouri 64050

Dear Mr. Sexton:

This office has recently completed an audit of the Plasterers and Cement Masons Local 518 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 and members of the Local 518 Executive Board on March 23, 2005, 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.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least five years by which each receipt and disbursements of funds, as well as all account balances can be verified, explained, and clarified. As a general rule, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services, received, and the identity of the recipients of the goods or services.

The following record keeping deficiencies were revealed during the audit of Local 518's 2004 records:

Receipt records for windows due were not properly maintained. Although duplicate receipts were issued to members and individual ledger cards recorded payment amounts, records did not link individual payments to bank deposits. Calculation tape including all entries for a bank deposit was missing from dues receipts lists. In your system this tape was the only record that linked monies to a bank deposit as deposit slips only included a total amount of checks and cash included with the deposit. These dues payments must be linked to a deposit to ensure member's monies are properly handled.

Documentation for lunches in the union's petty cash receipts did not adequately explain the purpose of the disbursement. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. Some sort of explanation must be kept in order to explain, clarify, or verify every disbursement.

Salary determination, vacation records, and sick leave records are not maintained. Although your by-laws provide that salary amounts are to be set at the average of other trade locals in your area, explanation and documentation of this process must be maintained. There was no record of this process outside the memory of the business manager who had absolute power in this process. Salary amounts for the officers and business agents should be discussed by the executive board and included in the minutes at least once a year or when any changes are made. Vacation and sick leave records must also be kept in order to ensure that possible abuse of these benefits is not realized. Unused vacation payouts should also be discussed at executive board meetings.

As agreed, provided that Local 518 maintains adequate documentation for its receipts and disbursements in the future,. No additional enforcement action will be taken regarding these violations.

The audit revealed that you received salary overpayments for the 2004, 2003 and 2002 fiscal years. In these three years you received extra checks above 52 regular paychecks and two unused vacation payout checks. In 2004 you received one extra check for \$1,760; in 2003 you received two extra checks to total \$3,300; and in 2002 you received one extra check for \$1,452. These are gross amounts as deductions were taken. Members of the executive board agreed to take action of their own choosing on this matter. You agreed to do whatever is required to make up for the mistake. Any action or discussion on this matter should be included in the executive board minutes.

A violation of LMRDA Section 502 (Bonding) was discovered in the audit. This section requires that the union's officers and employees be bonded for no less than ten percent of the total funds handled by those individuals or their predecessor during the preceding fiscal year. Local 518 officers and employees were bonded for \$100,000; they should have been bonded for at least \$160,448.53. This amount should be based on a calculation that includes not only cash reserves and receipts, but also investment values held by the union. The union should obtain adequate bonding coverage for its officers and employees as soon as possible. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained.

The CAP disclosed a violation of LMRDA Section 201(b), because the Labor Organization Annual Report (Form LM-2) filed by Local 518 for fiscal year ending September 30, 2004, failed to accurately reflect the financial state of your union. Although the report met the standards of acceptability, the reported numbers for receipts, disbursements, and sale of investments were inaccurate when compared with the financial records of the union.

The purpose of these reports is to offer accurate financial disclosure to the members of your union; therefore it will be necessary for Local 518 to file an amended LM-2 report for 2004 to correct the deficient items discussed above. I have spoken with your accountant and offered my assistance in completing the report. He will not be able to allocate time to this task until after tax season on April 15, 2005. At that time I will speak with him about the requested corrections. The report should be submitted to this office at the above address as soon as possible. If it will not be completed by May 6, 2005, I simply ask that you contact me with an update on your progress. Before mailing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to thank you for your cooperation and courtesy during this compliance audit. If I can be of assistance in the future or in helping you complete your reports, please contact me at 816/502-0284.

Sincerely,

7(c)
Investigator

Cc: Alise Martiny

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Cc: _____ 7(c)

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Cc: Albert Glenn

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Cc: Robert Gard

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Cc: Michael Gard

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Cc: Loren Curtis

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Cc: Tony Mihalevich

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Cc: Steven E. Senter, Sr., CPA

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Cc: 2