

**U.S. Department of Labor**

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June 30, 2008

Mr. Michael McNally, Business Manager  
Plumbers AFL-CIO  
Local 22  
3651 California Road  
Orchard Park, NY 14127

LM File Number 540-839

Case Number: [REDACTED]

Dear Mr. McNally:

This office has recently completed an audit of Plumbers Local 22 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 Accountant Dave Arcara on June 25, 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 22's 2007 records revealed the following recordkeeping violations:

1. Union Disbursements and Credit Card Expenses

Local 22 did not retain adequate documentation for union disbursements and credit card expenses incurred by you, Local 22's Organizer, and Business Agents totaling at least \$13,775. For example, gas receipts for charges on the Sunoco credit card, online purchase for a QuickBooks program, one Holiday Inn charge, nine disbursements from the Athletic Fund, and a donation of \$500 in gift cards to USW District 4.

As 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.

2. Meal Expenses

Local 22 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$890. 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.

Local 22 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, charges at Max's Restaurant for \$118.04 and The Anchor Bar for \$205.49. 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. Union Owned/Leased Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) of the LM-2.

Local 22 incurred expenses totaling at least \$13,346 for automobiles during 2007. However, Local 22 did not maintain records documenting business versus personal use of the union vehicles.

The LM-2 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 and 12 of the LM-2, allocated to the officer or employee to whom each vehicle is assigned.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

4. Disposition of Property

Local 22 did not maintain an inventory of hats, jackets, and 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 each year in Item 28 (Other Assets) of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28.

The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items. The union must also track the distribution of give-away items and prizes; including cash, gift cards, and raffle items.

Based on your assurance that Local 22 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 22 for fiscal year ending July 31, 2007, was deficient in the following areas:

#### 1. Failure to Itemize Disbursement

Local 22 failed to itemize disbursements from the Union's Industry Advancement (Target) Program in Schedule 15 - Representational Activities, citing confidentiality as the reason in Item 69 - Additional Information. The instructions for the LM-2 provides the following explanation for the types of information that may be considered confidential:

- Information that would identify individuals paid by the union to work in a non-union bargaining unit in order to assist the union in organizing employees, provided that such individuals are not employees of the union who receive more than \$10,000 in the aggregate in the reporting year from the union. Employees receiving more than \$10,000 must be reported on Schedule 12 - Disbursements to Employees;
- Information that would expose the reporting union's prospective organizing strategy. The union must be prepared to demonstrate that disclosure of the information would harm an organizing drive. Absent unusual circumstances, information about past organizing drives should not be treated as confidential;
- Information that would provide a tactical advantage to parties with whom the reporting union or an affiliate union is engaged or will be engaged in contract negotiations. The union must be prepared to demonstrate that disclosure of the information would harm a contract negotiation. Absent unusual circumstances information about past contract negotiations should not be treated as confidential;
- Information in those situations where disclosure would endanger the health or safety of an individual.

The audit failed to substantiate the union's claim that confidentiality was appropriate according to the instructions. Local 22's LM-2 should list the names of the contractors receiving Industry Advancement disbursements from the local in the appropriate schedule, provided that \$5,000 or more was paid to them during the fiscal year.

2. Incorrect Itemized Disbursement

The audit revealed that Local 22 reported payments to Capital One Credit Services for restaurant and miscellaneous travel charges in Schedule 15 - Representational Activities. The instructions for the LM-2 report state that disbursements to a credit card company may not be reported as a single disbursement with the credit card company as the vendor. Instead, charges appearing on credit card bills paid during the reporting period must be allocated to the recipients of the payments by the credit card company according to the same process as described in the instructions. These instructions and other guidance may be found on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)).

Local 22 must file an amended Form LM-2 for fiscal year ending July 31, 2007, to correct the deficient items discussed above. I explained to you the filing procedures and the availability of filing software on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-2 must be electronically filed as soon as possible, but not later than July 25, 2008. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

Other Issues

1. Election of Officers

During the audit you disclosed that your last election was "bumped up" thirty days (May 2006) because of the international convention. Your next election is scheduled for June 2009, which is more than three years from your last election. The LMRDA states that local unions must hold elections once each three years. OLMS would not address this potential violation of the LMRDA unless we receive a complaint from a member who has properly invoked their internal appeals process.

2. One Signature on Building Fund Checks

The audit revealed that only one signature is required on checks from the Building Fund. 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. Having only one signature on union checks does not attest to the authenticity of the completed check. OLMS recommends that you review this procedures to improve internal control of union funds.

I want to extend my personal appreciation to Plumbers Local 22 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: Thomas Haney, President  
Dave Arcara, CPA