



May 6, 2010

Mr. Darryll Russell, Secretary Treasurer
Plumbers Local 23
4525 Boeing Drive
Rockford, IL 61109-2934

Case Number: [REDACTED]
LM Number: 007224

Dear Mr. Russell:

This office has recently completed an audit of Plumbers Local 23 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 Office Manager Katherine Elliott and you on April 12, 2010, 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.

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 23 for fiscal year ending December 31, 2008, was deficient in the following areas:

1. Certificates of Deposit Reported As Investments

Local 23 improperly included the value of certificates of deposit and money market funds totaling over \$1,100,000 as investments in Statement A (Assets and Liabilities), Schedule 3 (Sale of Investments), Schedule 4 (Purchase of Investments), and Schedule 5 (Investments). As stated in the LM-2 instructions for Item 22 (Cash), cash includes checking accounts, savings accounts, certificates of deposit, and money market accounts. The purchase or redemption of a certificate of deposit or a money market fund is a transfer of cash from one account to another and, therefore, the local should not report these transactions as purchases or sales.

2. Death Benefit Receipts From Members for Disbursement on Their Behalf

Local 23 did not record death benefit receipts of \$16,148, which were contributed by members for disbursement on their behalf to designated beneficiaries, in Item 47 (From Members for Disbursement on Their Behalf). It appears that the local erroneously reported these receipts in Item 36 (Dues and Agency Fees). Additionally, Local 23 did not record a

liability in Schedule 10 (Other Liabilities) of \$5,648 for funds that were not disbursed at the end of the fiscal year.

The LM-2 instructions require that the union enter receipts from members in Item 47 that are designated for disbursement on their behalf. Any such funds not disbursed by the end of the reporting period are liabilities of the labor organization and must be reported in Schedule 10.

Local 23 must file an amended Form LM-2 for fiscal year ending December 31, 2008, to correct the deficient items discussed above. As the same deficient items occurred on Form LM-2 filed for fiscal year ending December 31, 2009, Local 23 will also need to file an amended 2009 Form LM-2. I explained to you the filing procedures and the availability of filing software on the OLMS website (www.olms.dol.gov). The amended Forms LM-2 must be electronically filed as soon as possible, but not later than June 15, 2010. Before filing, review the reports thoroughly to be sure they are complete and accurate, and properly signed with electronic signatures.

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 23's 2009 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 23's 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, the local failed to indicate the purpose and a list of attendees at a dinner in Las Vegas, NV on October 31, 2008 at Battista's Hole in the Wall that cost \$557.91. 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.

2. Disposition of Assets

Local 23 did not provide a list of the identities of the recipients of items that the local gave away to members at union events. For example, the local failed to provide a list of recipients for 20 watches which were purchased for \$1,295.94 from Advertising Novelties. In addition, the local failed to provide a list of recipients for sporting good items which were purchased for \$1,454.39 from MC Sports.

The union must maintain lists or similar records to verify assets that are disposed of in a manner other than sale.

Based on your assurance that Local 23 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issues

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding) during fiscal year 2009, 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 23's officers and employees were not bonded for the minimum amount required during fiscal year 2009. However, Local 23 raised its bonding coverage on January 1, 2010 to \$400,000. Based on our discussion of the financial records for 2009 and supported by the union's 2009 LM-2 report, which is the latest year for which the local has filed the report, the local is now determined to be fully bonded. As a result, OLMS will take no enforcement action regarding this issue.

I want to extend my personal appreciation to Plumbers Local 23 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: Mr. Randy Lindquist, President