



January 2, 2013

Mr. Larry Locke, President  
Laborers, Local 1317  
PO Box 1805  
Birmingham, AL 35201

Case Number: [REDACTED]  
LM Number: 541522

Dear Mr. Locke:

This office has recently completed an audit of Laborers, Local 1317 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, President Louis McTerry, and Vice President Johnny Brooks on December 19, 2012, 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 1317's 2011 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 1317 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$899.19. For example, Business Manager Locke was reimbursed \$701.92 for a business trip to Chicago, IL between

June 12-14, 2011; however, the union did not maintain an expense voucher or invoices or receipts for the expenses reimbursed to Locke.

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. General Disbursements

Local 1317 did not retain adequate documentation for disbursements totaling at least \$2,242.31. For example, the union did not maintain an invoice, bill, or receipt for the purchase of a new computer from Sam's on March 28, 2011 in the amount of \$1,247.03 or an invoice, bill, or receipt for the purchase office supplies from Staples on April 13, 2011 in the amount of \$371.65.

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.

## 3. Information not Recorded in Meeting Minutes

During the audit Business Agent Larry Locke advised OLMS that the membership authorized the lawn care services of H&E Lawn Service in the amount of \$300.00 for the year ending December 31, 2011. Additionally, Locke advised the membership approved the purchase of a Garmin GPS for the union's vehicle from Sam's Club in the amount of \$336.09 on August 1, 2011. Article IX, Section 3 of the by laws requires all disbursements be approved by the Executive Board and/or membership. However, the minutes of the meetings do not contain any reference to these issues. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

## 4. Disposition of Property

Local 1317 did not maintain an inventory of Skull Caps 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 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 sale of union hats, jackets and other items.

## 5. Fixed Assets

Local 1317 did not have a fixed asset list or inventory sheet that could be located for the audit year or any previous year. The union had fixed assets, including, but not limited to: a 2006 Ford Explorer, desktop computers, laptop computers, printers, cell phones, and office furniture. The proper maintenance of union records is the responsibility of the president and treasurer (or corresponding principal officers) of your union who are required to sign your union's LM report.

6. Union Owned/Leased Vehicles

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

Local 1317 incurred expenses totaling at least \$7,778.92 for automobiles during 2011. However, Local 1317 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 Schedule 11, 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.

7. Vacation Records

Local 1317 awards 12 days vacation time per year for Business Manager Larry Locke. No union record was present indicating the vacation days earned or used for Locke for the FYE December 31, 2011. The president and treasurer (other corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

Based on your assurance that Local 1317 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 1317 for fiscal year ending December 31, 2011, was deficient in the following area:

#### Automobile Expenses

Local 1317 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 \$7,778.92.

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.

I am not requiring that Local 1317 file an amended LM report for 2011 to correct the deficient items, but Local 1317 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issue

##### Signing Blank Checks

During the audit, you advised that President Louis McTerry signs blank checks. Your union's bylaws require that all checks be signed by the president and business manager/treasurer. 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1317 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Laborers Local 1317 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. Louis McTerry, President