

**U.S. Department of Labor**

Office of Labor-Management Standards  
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March 1, 2013

Mr. Sean S. Kirchhofer, District Representative  
PACE AFL-CIO District Council 1  
4422 Maria Drive  
Bethlehem, PA 18020

Case Number: 140-11124 [REDACTED]  
LM Number: 529114

Dear Mr. Kirchhofer:

This office has recently completed an audit of PACE AFL-CIO District Council 1 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 on March 1, 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 Violation**

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 District Council 1's 2011 records revealed the following recordkeeping violation:

**Meal Expenses**

District Council 1'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, an expense in the amount \$95.16 on 3-31-11 at the Holiday Inn Nashville, TN; an expense in the amount \$87.00 on 5-4-11 at Chilli's Altoona, PA; an expense in the amount \$1,080.00 on 8-18-11 at the Nine Irishmen Las Vegas, NV; an expense in the amount \$114.00 on 9-1-11 at Buffalo Wings Bedford, IN; an expense in the amount \$108.00 on 10-6-11 at Logan's York, PA and an expense in the amount of \$92.00 on 11-8-11 at Cancun Cantina Hagerstown, MD. 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. 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.

Based on your assurance that District Council 1 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 District Council 1 for the fiscal year ended December 31, 2011 was deficient in the following areas:

##### 1. Disbursements to Officers and Employees

District Council 1 did not report the names of some officers and the total amounts of payments to them or on their behalf in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). The union must report in Schedule 11 all persons who held office during the year, regardless of whether they received any payments from the union.

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.

##### 2. Failure to File Bylaws

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The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. District Council 1 amended its constitution and bylaws in 2009, but did not file a copy with its LM report for that year. Subsequently, District Council 1 revised the constitution and bylaws in 2012.

District Council 1 submitted a copy of the constitution and bylaws revised in June 2012.

I am not requiring that District Council 1 file an amended LM report for 2011 to correct the deficient items, but District Council 1 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to PACE AFL-CIO District Council 1 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,

Kevin Kennedy  
Supervisory Investigator