



December 13, 2011

Mr. Joseph Coconato, President
Laborers Local 25
9838 W. Roosevelt Road
Westchester, IL 60154-2776

Case Number: [REDACTED]
LM Number: 034083

Dear Mr. Coconato:

This office has recently completed an audit of Laborers Local 25 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 Secretary Treasurer David Grossklaus and you on December 12, 2011, 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 25's 2010 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 25 did not provide properly itemized receipts for meal expenses totaling at least \$2,847.82. 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 25 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, a receipt dated December 15, 2009 from Chop Ho in Elmhurst, IL for \$126.03 and a receipt dated September 22, 2010 from Fox Café in Miami Beach, FL for \$251.87 did not include explanations of the union business conducted or the names of the attendees. 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. Items Given Away to Members

Local 25 did not provide a list of recipients for items that were handed out to members during 2010 totaling at least \$2,100.00. For example, the union did not provide the names of recipients for the turkeys and hams that were given to members in December 2010. These items were purchased with check number 22084 dated December 21, 2010 for \$1,377.05 payable to Ed's Way.

Based on your assurance that Local 25 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 25 for the fiscal year ended December 31, 2010, was deficient in the following areas:

1. Trust Funds

Item 10 (During the reporting period did the labor organization participate in the administration of a trust or a fund which provides benefits for members or beneficiaries?) was incorrectly answered, "No." The audit revealed that Joseph Coconato, President of Laborers Local 25, participated as a trustee in the administration of the Construction and General Laborers District Council Pension & Welfare Fund during 2010. Therefore, Item 10 should have been correctly answered "Yes" in Local 25's LM report.

2. Subsidiary Organization

Item 11(b) (During the reporting period did the labor organization have a subsidiary organization as defined in Section X of the LM-2 Instructions?) was incorrectly answered, "Yes". The audit revealed that Local 25 does not have any subsidiary organization as defined in the LM-2 Instructions. Item 11(b) should have been answered "No".

3. Fidelity Bond

Item 14 (What is the maximum amount recoverable under the labor organization's fidelity bond?) was incorrectly answered as \$275,000. The audit revealed that Local 450 has bonding coverage with Fidelity & Deposit Company of Maryland for \$330,000. Item 14 should have been answered as \$330,000.

4. Acquire/Dispose of Property

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away turkeys, hams, and Christmas gifts to its members totaling more than \$14,000.00 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

5. Other Receipts

Local 25 did not report in Item 48 (Other Receipts) at least \$5,700.00 of other receipts that the union received during 2010. For example, the Laborers Chicago District Council reimbursed the union at least \$3,700.00 for expenses that President Coconato incurred for business trips on the District Council's behalf. Additionally, Secretary Treasurer David Grossklaus and President Coconato reimbursed the union at least \$2,000.00 for cash advances that were not spent on business trips for the union. The audit revealed that these receipts were apparently "netted" against disbursements in Schedule 11 or Schedule 18 of Form LM-2. The LM-2 instructions require that labor organizations report all other receipts in Item 48 that cannot be properly recorded in any other item on the form. Statement B of Form LM-2 reports all cash flowing in and out of the union. Therefore, "netting", which is the offsetting of receipts against disbursements and reporting only the balance (net) as either a receipt or disbursement, is not permitted.

6. Interest and Dividends

The audit revealed that Local 25 did not report in Items 40 and 41 (Interest and Dividends) at least \$14,000.00 of interest and dividends that the union received from its investments in certificates of deposit and mutual funds. The LM-2 instructions require that labor organizations report all interest and dividends received by the union in Items 40 and 41 of

Form LM-2.

7. Allocation of Disbursements to Schedules 15 through 19

The audit revealed that Local 25 did not properly allocate certain disbursements in Schedules 15 through 19 of Form LM-2. The union recorded all of its allocable disbursements, excluding officer and employee salaries, in Schedule 18 (General Overhead) of the LM-2. The LM-2 instructions require that labor organizations allocate certain expenses to Schedules 15 through 19 of the report. Many of the union's disbursements should have been recorded in other schedules of the LM-2 report. For example, payments to Dowd, Bloch, and Bennett of \$17,593.00 for enforcement of the collective bargaining agreement and payments to Steven M. Bierig of \$9,375.00 for arbitration services should have been recorded in Schedule 15 (Representational Activities). In addition, payments for scholarships to local colleges totaling \$3,000.00 should have been recorded in Schedule 17 (Contributions, Gifts, and Grants).

I am not requiring that Local 25 file an amended LM report for 2010 to correct the deficient items, but Local 25 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Laborers Local 25 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. David Grossklaus, Secretary Treasurer