

U.S. Department of Labor

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May 10, 2007

Mr. Glenn Chaffee, Treasurer
Building & Construction Trades Dept, AFL-CIO
Rochester BCTC
39 Saginaw Drive, Suite 16
Rochester, NY 14623-3146

LM File Number 029-467

Case Number: [REDACTED]

Dear Mr. Chaffee:

This office has recently completed an audit of Rochester BCTC 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 President Dan Conte on April 18, 2007, 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 the Rochester BCTC's 2006 records revealed the following recordkeeping violations:

1. General Disbursements and Credit Card Expenses

The Rochester BCTC did not retain adequate documentation for disbursements and credit card expenses incurred by Treasurer Chaffee totaling at least \$10,000. For example, no documentation was found for disbursements to vendors and consultants categorized as Labor News Loans. Additionally, no documentation was found for credit card charges for flowers.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

The Rochester BCTC did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$4,500. 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.

When meal receipts were submitted, they did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, receipts for meals at Rick's Prime Rib charged to the union credit card contained no details. 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. Failure to Record Receipts

The Rochester BCTC did not maintain any detailed receipts records. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

4. Failure to Retain Records

The Rochester BCTC failed to retain all union records that were generated throughout the year, such as, monthly statements for the union credit card, per capita stubs, and per capita tracking spreadsheets. During the opening interview Treasurer Chaffee stated that he destroys the tracking sheets and stubs and only keeps the credit card statements for the months he makes charges for the Rochester BCTC.

Based on your assurance that the Rochester BCTC 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-3 filed by the Rochester BCTC for fiscal year ending January 31, 2006, was deficient in that:

Failure to Report Subsidiary Organization

Rochester BCTC failed to report the financial operations of Robutrad, Inc as a subsidiary organization.

The instructions for Form LM-3 set forth the definition of a "subsidiary organization" of a reporting labor organization. A "subsidiary organization" is a separate organization (1) of which the ownership is wholly vested in the labor organization or its officers or its members; (2) which is governed or controlled by the officers, employees, or members of the labor organization; and (3) which is wholly financed by the labor organization.

Mr. Glenn Chaffee
May 10, 2007
Page 4 of 5

Based on the information provided, it would appear that Robutrad is a subsidiary organization of the BCTC and its financial transactions are required to be reported under LMRDA Title II. Robutrad's formation by BCTC's use of union funds along with share ownership by the union's officers meet the components of a subsidiary corporation being wholly financed, governed or controlled by officers, employees, or members, and its ownership being wholly vested in the union.

Robutrad has annual receipts in excess of approximately \$1.9 million. This will change the Rochester BCTC's filing status from that of an LM-3 to an LM-2 filer. Please note that the LM-3 instructions would only apply if both the union and the subsidiary organization combined do not exceed the \$250,000 threshold. Since Robutrad is wholly owned, wholly controlled, and wholly financed (initial financing) by BCTC, in accordance with Section II of the Form LM-2 instructions, Robutrad's receipts must be included in determining that the BCTC is required to file a Form LM-2. For fiscal year ending January 31, 2007, the BCTC must report the transactions of Robutrad on its Form LM-2. For future fiscal years the BCTC must file a Form T-1 for Robutrad if it meets the conditions set forth in Section 1 of the instructions for Form LM-1.

I am not requiring that the Rochester BCTC file an amended LM report for 2006 to correct the deficient items, but the Rochester BCTC has agreed to properly report the deficient items on all future reports it files with OLMS. After discussion regarding the requirement for you to file an LM-2 for your recently completed fiscal year with a due date of April 30, 2007, you have agreed to complete and file the LM-2 as soon as possible.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), 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 Rochester BCTC's officers and employees are currently bonded for \$70,000.00, but they must be bonded for at least \$225,000.00. Rochester BCTC should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than May 25, 2007.

Other Issues

1. Personal use of Credit Cards


The audit revealed that Rochester BCTC permits officers and employees to use union credit cards to pay for personal expenses. Although officers and employees promptly repaid Rochester BCTC for the personal expenses charged, OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds.

2. One Signature on Union Checks

During the audit, Treasurer Chaffee advised that it is Rochester BCTC's practice for only one officer to sign union checks. Treasurer Chaffee indicated that no one but him reviews the checks before they are issued. Requiring two signatures is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. OLMS recommends that the Rochester BCTC review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Rochester BCTC 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: Dan Conte, President