

U.S. Department of Labor

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January 28, 2008

Mr. Paul Bachman, President
Central Pennsylvania Building & Construction Trades Council
2201 Forest Hills Drive, Suite 5
Harrisburg, Pennsylvania 17112

LM File Number 025-436
Case Number: [REDACTED]

Dear Mr. Bachman:

This office has recently completed an audit of Central Pennsylvania Building & Construction Trades Council 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 Christina Simonetti and you on January 22, 2008, 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 council's 2006 records revealed the following recordkeeping violations:

1. Meal Expenses

The council did not require officers to submit itemized receipts for meal expenses totaling at least \$141.85. 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.

The council'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. 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.

2. Maintaining Supporting Documentation for All Disbursements

Although the council maintained adequate supporting documentation for the majority of disbursements, the council failed to maintain adequate documentation for a total of \$60.13 in credit card expenditures. In addition, the council failed to provide supporting documentation, such as vendor receipts, for expenses paid for out of the petty cash fund for approximately \$767.29. During the course of the audit, it was discussed with Office Manager Christina Simonetti that it is the council's procedure to maintain all petty cash receipts. The petty cash receipts were unavailable for this audit.

As a general rule, all types of records used in the normal course of doing business must be maintained such as receipts and disbursements journals, cancelled checks, bank records, dues collection receipts, vendor receipts, credit card slips, meeting minutes, etc.

Based on your assurance that the council 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-3) filed by the council for fiscal year ending December 31, 2006, was deficient in that:

Failure to File Bylaws

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. The council amended its constitution and bylaws in 2003, but did not file a copy with its LM report for that year.

The council has now filed a copy of its most current constitution and bylaws.

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. Although your union is bonded for an adequate amount, your union's bond has a deductible of \$250. Self insurance by the union, in whole or in part, fails to meet the bonding requirements of the LMRDA. A union may not deposit its own funds with a surety company for losses sustained under a bond. A bond may also not have a deductible since that is a form of self-insurance.

Your union 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 no later than March 18, 2008, the date your current policy expires.

Other Issue

Use of Signature Stamp

During the audit, Office Manager Christina Simonetti advised that it is council's practice for you to sign all union checks and for Simonetti to stamp the Secretary-Treasurer signature on union checks. Although during the audit it was discussed that Secretary-Treasurer Steven Hoffman reviewed all copies of checks endorsed with his signature stamp after the union checks were issued, Article V Section 3 of the council's bylaws state that checks are to be signed by the president and secretary-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, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that the council review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Central Pennsylvania Building & Construction Trades Council for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the

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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: Office Manager Christina Simonetti
Secretary-Treasurer Joseph Diehl