



August 3, 2016

Mr. Alan Pero, International Supervisor  
Operating Engineers Local Union 25  
463 State Route 33  
Millstone Twp, NJ 08535

Case Number: 130-6000410  
LM Number: 050251

Dear Mr. Pero:

This office has recently completed an audit of Operating Engineers Local Union 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 you on June 15, 2016, 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 2014 records revealed the following recordkeeping violations:

1. Employee Traffic Violation Policy

During the audit, OLMS identified two union payments in the amount of \$50 and \$138 to the New York City Department of Finance and New York State Department of Motor Vehicle for parking tickets, i.e., red light violation and failure to use seat belt. Although

the union's business agent(s) were conducting union business, the individual(s) should be held accountable by making personal direct payments to the state agencies for moving violations. The union's accountant Richard Silvestro explained that in September 2014, to directly address this issue, the local adopted a traffic violation policy which was handed out to the union officers /business agents to prevent any future union payments for traffic violations. The union's September 2014 Executive Board meeting minutes referenced an Employee Traffic Violation Policy in effect. However, the union's staff was unable to locate the policy. OLMS recommends that the union maintains a written copy of the Employee Traffic Violation Policy for their records. Based on your assurance that the union will continue to maintain the policy indicating that officers/business agents are personally responsible for handling payments for traffic moving violations, OLMS will take no further enforcement action at this time regarding the above violation.

#### Other Issues

1. LU 25 Officer failed to obtain Executive Board authorization to purchase Fire House Installation for union's new headquarters

During the audit year, former President/Business Manager [REDACTED] failed to seek authorization from Local 25's executive board or general membership when he made a \$45,000 down payment on a Fire House Installation located in Tinton Falls from the union's general fund operating account. [REDACTED] made a unilateral decision to make an offer to purchase a Fire House Installation for the union's new headquarters which would have cost the union over \$1,000,000. A union officer is not authorized to disburse union funds of this magnitude without obtaining approval and authorization from the union's executive board. However, you informed OLMS that in 2016 the realty group returned the \$45,000 down payment plus interest which was deposited into the union's general fund operating account. Also, during the International Supervision of Local 25, [REDACTED] was removed from his position as president and business manager because he breached his fiduciary responsibilities.

2. LU 25 officer failed to obtain Executive Board authorization to personally purchase a union trade-in vehicle

In July 2014, former President/Business Manager [REDACTED] failed to seek authorization from Local 25's executive board or general membership when he used his personal funds to purchase a union trade-in vehicle from Buhler Ford Dealership. [REDACTED] traded in five union vehicles towards the purchase of five new Ford 150 Trucks assigned to the union business agents to conduct union business. At that time, [REDACTED] purchased his former union vehicle, Chevrolet Traverse, for the trade-in price of \$8,100 instead of blue book value from Buhler Ford Dealership. However, there was no commingling of union funds for this transaction. [REDACTED] again breached his fiduciary obligations by not obtaining executive board authorization to purchase a union trade-in vehicle at cost.

Due to the International's decision to place Local 25 under supervision, to correct problems generated by former President/Business Manager [REDACTED] actions, OLMS will not pursue further enforcement action regarding the above mentioned issues.

I want to extend my personal appreciation to Operating Engineers Local Union 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,

[REDACTED]

Senior Investigator