



August 18, 2017

Mr. John Dougherty, Business Manager  
BLDG & CONSTRUCTION TRADES COUNCIL  
4170 Woodhaven Road  
Philadelphia, PA 19154

Case Number: 140-6010339 [REDACTED]  
LM Number: 027052

Dear Mr. Dougherty:

This office has recently completed an audit of Building and 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 Assistant Business Manager Wayne Miller, President Ryan Boyer, Secretary-Treasurer Patrick Eiding, Trustee Fran McLaughlin, Office Manager Elizabeth Eiding, attorney William Josem and accountant Christine Bott on August 18, 2017, 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 the Council's 2016 records revealed the following recordkeeping violations:

#### Meal Expenses

The Council did not require officers to submit itemized receipts for meal expenses totaling at least \$803.91. The Council 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, including receipts from Redhouse Bagel Deli, Starbucks, Dunkin Donuts and Joe Santucci's Bar and Grill. 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.

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 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 the Council for the fiscal year ended December 31, 2016, was deficient in the following areas:

##### 1. 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 1983 but did not file a copy with its LM report for that year.

During the audit you indicated the Council was in the process of updating its constitution and bylaws. As agreed, the Council will file a copy of the updated constitution and bylaws with OLMS with its LM report for fiscal year ended December 31, 2017.

##### 2. Failure to Report Assets

Labor organizations must report financial information on Form LM-2 for all funds of the labor organization, including any special purpose funds or accounts. The audit disclosed a violation of LMRDA Section 201(b), which requires that a labor organization's annual LM report contain information pertaining to its assets, receipts and disbursements for the

preceding fiscal year. The Council failed to include its Charity Fund Account in its assets on the Form LM-2 for fiscal year ended December 31, 2016, including the receipts and disbursements related to the account. The financial activities of the Charity Fund must be included in the Council's LM report.

### 3. Failure to Report Disbursements

The audit disclosed a violation of LMRDA Section 201(b), which requires that a labor organization's annual LM report list each entity or individual which received direct or indirect disbursements in the amount of \$5,000 or more during the preceding fiscal year. The audit found that the Council failed to include disbursements to [REDACTED], who was hired as a consultant/chaplain at an annual salary and who was issued an IRS form 1099.

Such disbursements must be properly reported in Statement B, with major transactions reported in the appropriate schedules. A "major" transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the labor organization cannot properly report elsewhere in Statement B.

The Council must file an amended Form LM-2 for the fiscal year ended December 31, 2016, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). The amended Form LM-2 must be filed no later than September 18, 2018. Before filing, review the report thoroughly to be sure it is complete and accurate.

### Other Issues

#### 1. Account Signatories

The audit disclosed that Business Manager John Dougherty is the only signatory on the Council's general checking account. It is advisable to have two signatories on every account held in the Council's name. The two signature requirement is an effective internal control of union funds. During the audit, the officers indicated a two-signatory requirement will be included in the updated constitution and bylaws.

#### 2. Personal use of Credit Cards

The audit revealed that the Council permitted officers to use Council credit cards to pay for personal expenses. Although the officers promptly repaid the Council 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.

Mr. John Dougherty

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I want to extend my personal appreciation to the Building and Construction Trades Council 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. Patrick Eiding, Secretary-Treasurer