



May 25, 2017

Mr. Joseph Battaglia, Secretary-Treasurer
Bricklayers Local 1
2706 Black Lake Place
Philadelphia, PA 19154

Case Number: 140-6010313 [REDACTED]
LM Number: 531788

Dear Mr. Battaglia:

This office has recently completed an audit of Bricklayers Local 1 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 President Dennis Pagliotti and you on May 31, 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 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 1's 2014 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 1 did not retain adequate documentation credit card expenses incurred by union officers totaling at least \$451.10. For example, on January 2, 2014, the local charged

\$451.10 to Spasso Restaurant in Philadelphia, PA. You indicated that this expense was for an executive staff meeting.

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

2. Union Owned Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2. Specifically, Local 1 did not maintain records documenting business versus personal use of the union vehicles.

The LM-2 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 and 12 of the LM-2 /Item 24 of the LM-3, allocated to the officer or employee to whom each vehicle is assigned.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

3. Lack of Salary Authorization

Local 1 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 1 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 1 for fiscal year ending December 31, 2014, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 15 [LM-2] (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 an automobile to Former Business Agent [REDACTED] with a value of \$8,000 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." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. 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. Local 1 amended its constitution and bylaws, but did not file a copy with its LM report for that year.

Local 1 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 1 file an amended LM report for 2014 to correct the deficient items, but Local 1 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As I discussed during the exit interview with Mr. Pagliotti and you, the audit revealed that Local 1 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Duplicate Receipts

Members of Local 1 pay dues directly to the union. Although Local 1 has a duplicate receipt system in place, OLMS recommends that Local 1 revise their duplicate receipt system where the union issues original pre-numbered receipts in sequential order and if more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable.

3. Use of Signature Stamp

During the audit, you and Mr. Pagliotti advised that it is Local 1's practice for a signature stamp to be used in the event either of you is unavailable to sign a check. During the compliance audit, you indicated that although the two signature requirement is not mandatory as per the union's governing documents, Local 1 has implemented a two signature requirement to enhance financial safeguards. 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 Local 1 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Bricklayers Local 1 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. Dennis Pagliotti, President