



October 2, 2019

[REDACTED], Acting Business Manager
Roofers AFL-CIO
Local 37
230 Lincoln Avenue
Bellevue, PA 15202-3827

Case Number: 140-6017090 [REDACTED]
LM Number: 034-812

Dear [REDACTED]:

This office has recently completed an audit of Roofers Local 37 under the Compliance Audit Program (CAP) to determine the 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 Trustee [REDACTED] on September 17, 2019, 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 37's 2018 records revealed the following recordkeeping violations:

1. Reimbursed Officer Expenses

Local 37 did not retain adequate documentation for reimbursed cell phone expenses for officers totaling at least \$1,800.00. For example, union officers were reimbursed \$75.00

each month for use of their personal cell phones for union business but the union did not maintain the entire cell phone bills.

As 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. Lack of Authorization for Officer Disbursements for Official Business/Information not Recorded in Meeting Minutes

Local 37 did not maintain records to verify that personal cell phone reimbursement for official business reported in Schedule 11 (All Officers and Disbursements to Officers) 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 disbursements authorized by the entity or individual in the union with the authority to authorize such official disbursements.

During the audit, former Local 37 President John Ochap advised OLMS that the membership authorized cell phone reimbursements for the full-time officers at the November 2017 executive board and membership meetings; however, the minutes of those meeting do not contain any reference to those issues. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 37 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 37 for the fiscal year ended December 31, 2018, 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 t-shirts, dew rags, hats and monetary donations to members in need totaling more than \$17,834.61 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 Itemize Disbursement

Local 37 did not properly report two “major” transactions in Schedules 15-19. 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 local cannot properly report elsewhere in Statement B. The audit found that Local 37 paid the American Products Company \$6,321.06 during 2018 for the purchase of t-shirts, dew rags and jackets. In addition, Local 37 paid \$5,240.91 to Custom Catering for a union Christmas party.

I am not requiring that Local 37 file an amended LM report for 2018 to correct the deficient items, but Local 37 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Roofers Local 37 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: Steven Kramer, Acting Trustee
Steven Kramer, Certified Public Accountant