



February 11, 2013

Mr. Claudio Pontarelli, Secretary Treasurer
Laborers Local 1
9726 Franklin Ave.
Franklin Park, IL 60131-1702

Case Number: 310-23475 [REDACTED]
LM Number: 022153

Dear Mr. Pontarelli:

This office has recently completed an audit of Laborers 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 your accountant [REDACTED] and you on January 9, 2013, 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 2011 records revealed the following recordkeeping violations:

1. General and Credit Card Expenses

Local 1 did not retain adequate documentation for expenses incurred by the union totaling at least \$3,608.67. For example, check number [REDACTED] dated September 19, 2011 for \$3,500.00 payable to the Mann School PTO for the purchase of gift cards did not have any supporting documentation. Additionally, check number [REDACTED] dated June 17, 2011 payable to Visa Card Member Services included a charge of \$108.67 from NEBS that did not have any supporting documentation.

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. Items Given Away to Members

Local 1 did not provide a complete list of recipients for items that were given away to members during 2011 totaling at least \$2,214.60. For example, the union purchased 450 hats from Art-Flo on check number [REDACTED] dated November 1, 2011, but the union could only provide a list of 174 members who attended the December 2011 membership meeting and received the hats. In addition, the union purchased 140 \$25.00 Jewel gift cards from the Mann Elementary School in Oak Park, Illinois with the union's Visa credit card, but the union could only provide a list of 116 members who attended the November 2011 membership meeting and received the cards. All items given away by the local should include a list of recipients as supporting documentation.

3. Information not Recorded in Meeting Minutes

The executive board and the membership, at its April 20, 2010 meetings, authorized a vacation policy for the Business Manager/President and Secretary-Treasurer of the union. According to the policy, the officers can elect to be paid for their unused vacation time at the end of the calendar year provided the executive board determines that the local can afford such payments pursuant to the Local Constitution and provided the auditors agree with the recommendation. However, President Anthony Castro received two weeks of advanced vacation pay in January 2011, one week of advanced vacation pay in February 2011, and one week of advanced vacation pay in April 2011 in addition to his regular salary payments. The minutes of the executive board meetings do not contain any reference to the approval of these payments. On January 24, 2013, Mr. Patrick Deady and Mr. Michael Tecson, attorneys representing Local 1 from Hogan Marren Ltd., confirmed that these advanced vacation payments were not recorded in any meeting minutes, and the local has no other documentation to support these payments.

Local 1 disbursed \$2,000.00 to the Laborers Charitable Foundation in July 2011, but the meeting minutes do not contain any reference to its approval. Local 1 also disbursed \$3,500.00 to the Mann School PTA for 140 Jewel gift cards in the amount of \$25.00 each; however, the August 2, 2011 meeting minutes only contained approval for the purchase of 125 gift cards.

Labor organizations must report in the membership and executive board meeting minutes the approval of all its disbursements.

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 the fiscal year ended December 31, 2011, was deficient in the following areas:

1. Allowances to Officers

Local 1 did not record allowances to officers totaling at least \$22,400.00 in column E of Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in column D (Gross Salaries) of Schedules 11 and 12.

The union must report in Column E of Schedules 11 and 12 the total allowances made by direct and indirect disbursements to each officer on a daily, weekly, monthly, or other periodic basis.

2. Acquire/Dispose of Property

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) was answered, "Yes," because the union gave away hats, duffle bags, and Jewel gift cards totaling more than \$7,500.00 during the year. However, 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."

I am not requiring that Local 1 file an amended LM report for 2011 to correct the deficient items, but Local 1 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Laborers 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. Anthony Castro, President