



November 23, 2010

Mr. David P. Marsh, Business Manager
Laborers, Local 785
622 West Main St.
Ithaca, NY 14850

Case Number: [REDACTED]
LM Number: 543817

Dear Mr. Marsh:

This office has recently completed an audit of Laborers, Local 785 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, Charade Kittle, Account Payable Manager and Pat Jordan, Local 785 Accountant, on November 16, 2010, 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 785 records for fiscal year ending December 31, 2009 revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 785 did not retain adequate documentation for credit card expenses incurred by you, President Walter J. Schaffer, Vice President Thomas Norconk and Recording Secretary Alex Parillo, totaling at least \$1,100. For example, President Schaffer failed to retain at least \$675 in gas and other miscellaneous credit card receipts. Each of the officers were issued separate credit cards and the backup receipts were not retained as referenced above.

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. Professional Expenses

Local 785 did not retain adequate documentation for \$9,000 in accountant billing covering the consolidation of unions in 2008 but billed in March 2009. The local also failed to retain documentation covering \$495 in attorney fees billed by David A. Kline. Accountant Pat Jordan provided all the accounting expense backup billings to the investigator that satisfactorily explains the \$9,000 in charges incurred by the local.

3. Union Owned Vehicles

Local 785 did not maintain records necessary to verify the accuracy of the information needed to be reported in Schedule 11 (All Officers and Disbursements to Officers) of the LM-2. Local 785 incurred expenses for the four local union automobiles assigned to you, President Schaffer, Vice President Norconk and Recording Secretary Parillo. Included were gas, oil changes, car washes, general maintenance and other miscellaneous repair work expenses during 2009. Local 785 does allow personal use of the vehicles assigned, but did not maintain records documenting business versus personal use of those 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 vehicles assigned to individual officers in Schedule 11 of the LM-2.

For each trip the officer takes using an assigned union vehicle, the officer 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.

Good internal controls suggest that the logs should be checked periodically by the principal officers and account payable manager to ensure significant union benefit.

Based on your assurance that Local 785 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 785 for fiscal year ending December 31, 2009 was deficient in the following area:

Sale and Purchase of Investments and Fixed Assets

Local 785 failed to report in Schedule 3 (Sale of Investments and Fixed Assets) and Schedule 4 (Purchase of Investments and Fixed Assets) all the monies reinvested that total \$1,750,000 on line #14 in both schedules. This resulted in Schedule 3, line 15, Net Sales, being inflated by at least the same amount; and on Schedule 4, line 15, Net Purchases, also being inflated by at least \$1,750,000.

Additionally, Statement B, line 49, (Total Cash Receipts) was inflated by at least \$1,750,000 and correspondingly, Statement B, line 68, (Total Cash Disbursements), was also inflated by at least \$1,750,000. As we discussed, the reinvestments reflected nothing more than mere "rollover activity."

I am not requiring that Local 785 file an amended LM 2 report for fiscal year ending December 31, 2009 to correct the deficient items. Local 785 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 785 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,



Senior Investigator

cc: Mr. Walter J. Schaffer, President
Pat Jordan, CPA