



September 30, 2015

Mr. Anthony D. Liberatore, Jr.
Business Manager/ Secretary Treasurer
Laborers Local 860
3334 Prospect Avenue
Cleveland, OH 44115

Case Number: 350-6004982()
LM Number: 041088

Dear Mr. Liberatore:

The U.S. Department of Labor, Office of Labor-Management Standards (OLMS) recently completed an audit of Laborers Local 860 under the Compliance Audit Program (CAP) to determine your union's compliance with the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As you and I discussed during the exit interview on September 25, 2015, Local 860's financial recordkeeping for fiscal year 2014 seems good overall; nevertheless, the CAP disclosed LMRDA violations which you agreed to correct.

Recordkeeping Violations

Section 201 of the LMRDA requires principal officers of labor organizations to file annual financial reports (such as the LM-2) on behalf of their unions with the U.S. Department of Labor. LMRDA Section 206 states that union officers who file Labor Organization Annual Reports must "maintain records...which will provide in sufficient detail the necessary basic information and data from which" those reports "may be verified, explained or clarified, and checked for accuracy and completeness, and shall include vouchers, worksheets, receipts, and applicable resolutions, and shall keep such records available for examination for a period of not less than five years..."

1. **Authorizing Hiring and Setting Compensation:** Local 860 did not maintain documentation about authorizing the hiring of former bookkeeper, [REDACTED], as a contractor after he retired and before his successor, Mr. Bucci, joined the union. Authorization for [REDACTED] compensation as a contractor was also not documented. You acknowledged the lack of documentation for [REDACTED] employment was probably an oversight, and authorization for other contractors hired by Local 860 in 2014 was adequately documented with written resolutions. Moreover, [REDACTED] employment was reported on Local 860's fiscal year 2014 LM-2. You agreed that Local 860 will properly document future hiring decisions and the setting of compensation. Such future compliance will resolve this violation.
2. **Personal Use of Union Vehicles:** Local 860 has determined that ten percent of union vehicle usage by assigned drivers is not business related. Consequently, Local 860 reported ten percent of vehicle maintenance costs and other expenses in Column G of Schedule 11 on the 2014 LM-2 as personal use by assigned drivers. Local 860 did not, however, maintain documentation substantiating the determination that staff drive their assigned vehicles for personal use ten percent of the time. You agreed that Local 860 will

maintain such documentation by recording driver usage on a sampling basis beginning with the remainder of fiscal year 2015. Implementation of that practice will resolve this violation.

Reporting Violations

1. **Assets Given Away:** Local 860 gave away grocery store gift cards valued at \$95,000 to members and staff as holiday gifts in 2014. While the purchase of those cards was disclosed in Schedule 15 of the 2014 LM-2, the gifting of those cards was not reported in Item 69 as an explanation for the affirmative answer to Item 15, Assets Acquired or Disposed in a Manner Other Than by Purchase or Sale. You agreed that Local 860 will properly disclose the giving away of assets in Items 15 and 69 on future reports, including any gift cards given away in 2015 on that year's LM-2. Based on your agreement to properly report these matters in the future, I will not seek an amended 2014 LM-2 from Local 860 to correct this deficiency.
2. **Interest Earned on a Loan:** Local 860 reported in Schedule 14 of the 2014 LM-2 \$138,810 in interest earned from the repayment of a loan previously made to Southworth Mansion, LLC for the purchase and rehabilitation of the local's current union hall. LM-2 instructions state that interest earned from loans should be reported in Item 40. You agreed that Local 860 will report interest earnings in accordance with reporting instructions on future LM-2s. Therefore, I will not ask the local to file an amended LM-2 for 2014 to correct this deficiency.
3. **Reinvestments (Additional Finding):** After the exit interview, I learned that Local 860 did not disclose reinvestments in Schedules 3 and 4 of the 2014 LM-2. Failure to account for reinvestments likely inflated receipts and disbursements in LM-2 Statement B. I notified Local 860's attorney about this finding. With your concurrence that Local 860 will disclose reinvestments on future LM-2s, beginning with the report for fiscal year 2015, I will consider this matter resolved and will not seek an amended LM-2 for 2014.

Thank you and your staff for your professional courtesy and your hospitality. Please share these findings with your accountant, financial staff and other officers. If you have questions about the CAP, please call me at (317) 535-3034 or you can speak with my supervisor, Megan Ireland, at (513) 684-6840. Should you wish to speak with someone at OLMS in your area about other LMRDA-related matters, you can call our Cleveland District Office at (216) 357-5455.

Sincerely,



Senior Investigator