



October 13, 2005

David Fribourg  
Business Representative  
Roofer's Local 241  
890 Third Street  
Albany, NY 12206

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Dear Mr. Fribourg:

This Office has recently completed an audit of Roofer's Local 241 under the Compliance Audit Program (CAP) to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with James Shepard and you on September 16, 2005, 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.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

The following record keeping violations were revealed during the audit of Local 241's 2004 records:

- Although many receipts were maintained, the union failed to maintain adequate documentation for all disbursements. All credit card records were not maintained. There were numerous gas receipts missing for the two gas credit cards and many receipts were not maintained for the \_\_\_\_\_ or the \_\_\_\_\_ credit card, including hotel receipts, airline bills, and florists' receipts. In addition, adequate documentation was not retained for some purchases of office supplies and other charges made to the union issued credit cards. Also receipts for disbursements by check were not maintained. Some office supplies and car repairs were not supported by appropriate documentation.
- Roofer's Local 241 also failed to record in its records some checks received from members for dues or record the full amounts of these checks. Union receipts records must include an adequate

identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

With respect to documentation retained in support of specific disbursements (including those in payment of credit card charges), the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 241's LM-3 report. You should be aware that Section 206 of the LMRDA provides for a fine of not more than \$10,000 or imprisonment for not more than one year, or both, for willful failure to maintain records. Section 209(c) of the LMRDA provides for a fine of not more than \$10,000 or imprisonment for not more than one year, or both, for willful destruction or falsification of records, and applies to any person (not just the individuals who are responsible for filing the union's LM report).

As agreed, provided that Local 241 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

The CAP also disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-) filed by Local 241 for fiscal year ending December 31, 2004 was deficient in the following areas:

- The bonding coverage listed in Item 20 was not the maximum amount recoverable under your organization's fidelity bond.

I am not requiring that Local 241 file an amended LM-3 report for 2004 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

The audit also revealed a violation of LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 241's officers and employees are currently bonded for \$15,000, but they must be bonded for at least \$17,120. The union should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office by October 31, 2005.

During the audit, you advised that it is Local 241's practice for you to sign all union checks and to stamp the signature of Recording Secretary Robert Vincent on union checks. You indicated that no one but

you reviews the checks before they are issued. The second 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 by the primary signer of a signature stamp for the second signature does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the countersignature requirement. You may want to revise this aspect of your check disbursement procedures.

I recommend that you, as a union employee who is assigned union owned, maintain a mileage log to document the business use of the union vehicle. In the case of union owned and leased vehicles, logs are required to be maintained for each union vehicle documenting the date, number of miles driven, and business purpose of each use.

Also, it is strongly recommended that an additional receipting system be used in addition to the international software. The audit revealed that many receipts were entered improperly or were not recorded at all due to the limitations of the computer program. This caused for the union's receipts to be much less than what actually came in to the union. As suggested in the exit interview, a separate receipts journal may be necessary to prevent future under-recording of receipts.

I strongly encourage that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to your successors at whatever time you may leave the union.

I want to thank Mr. Sheppard and yourself for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to contact me or any other representative of our office.

Sincerely,

Investigator

cc: James Sheppard, CPA  
21 Everett Road Extension  
Albany, NY 12205