



September 29, 2011

Mr. Carlo Ponzio, Business Agent
Roofers AFL-CIO, Local 71
2714 Martin Luther King Jr. Boulevard
Youngstown, OH 44510

Case Number: [REDACTED]
LM Number: 036623

Dear Mr. Ponzio:

This office has recently completed an audit of Roofers AFL-CIO, Local 71 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 and Office Secretary Nancy Weibel on July 19, 2011, 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 71's 2010 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 71 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by you totaling at least \$2,156. For example, Local 71 did not maintain all supporting documentation for your gasoline and car maintenance expenses for his personal vehicle. The union was informed that all entries on the LM-3 report must be supported by documentation to ensure the accuracy and completeness of the LM-3 report filed with the Secretary of Labor. You agreed to maintain all supporting documentation to support entries on the LM report.

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. Reimbursed Auto Expenses

You received reimbursement for business use of your personal vehicle but did not retain adequate documentation to support payments totaling at least \$2,156 during 2010. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Failure to Record Receipts

Local 71 did not record in its receipts records some employer dues checkoff checks and some checks received from banks for interest earned on the certificate of deposit totaling at least \$87,507. For example, Local 71 did not maintain documentation on the union's certificate of deposit and the amount of the certificate and the interest earned. In addition, the union did not record working dues totaling at least \$87,492. However, these receipts were deposited into the union's checking account. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

4. Receipt Dates not Recorded

Entries in Local 71's receipts journal reflected the date the union deposited money, but not the date money was received. For example, Local 71 received three checks from Central Administrative Agency dated January 31, 2010. The union would deposit the checks one to two months after the date of issuance. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3

instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Local 71 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-3) filed by Local 71 for fiscal year ending December 31, 2010, was deficient in that:

1. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 71 amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year.

Local 71 have now filed a copy of its constitution and bylaws.

2. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

3. Disbursements to Officers

Local 71 did not include some reimbursements to officers totaling at least \$2,156 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements). You were instructed that Local 71 must report most direct disbursements to the officers and some indirect disbursements made on behalf of its officers in Item 24.

In addition, Check # [REDACTED] dated 10/29/2010 for \$1,186.08 written to Union Plus Travel MasterCard for the October 2010 statement did not have receipts attached to the credit card statement. The union had indicated on the statement that two of the charges totaling \$941.70 were for a Mid-States conference for you and another member. On September 21, 2011, I conducted a third party interview of Mid-States Roofers and was informed that

you were the treasurer for that organization. At this time, I also reviewed disbursement records for Mid-States Roofers. Mid-States provided a receipt for meeting room in the amount of \$321. However, Mid-States was not able to provide a copy of the receipt for an attendee's dinner in the amount of \$620.70. You should ensure that disbursements and expenses for Mid-States Roofers are maintained separately from Roofers Local 71 expenses and disbursements. Due to a lack of internal financial controls, disbursements totaling \$941.70 were made from Local 71 funds for expenses you incurred as an officer of a different labor organization. You have agreed to ensure that Local 71 is reimbursed \$941.70 from Mid-States.

Local 71 must file an amended Form LM-3 for the fiscal year ended December 31, 2010, to correct the deficient items discussed above. I advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than October 31, 2011. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures or appropriately filed utilizing the Electronic Forms System, which can be accessed from the above website.

Other Issues

No Signing Blank Checks

During the Organizational Interview Questionnaire, you stated that Local 71's President Rotell signs blank checks. You were instructed of the two signatures requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. You agreed to review these procedures with the officers and members of the union.

I want to extend my personal appreciation to Roofers Local 71 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. Alan Gravatt, President
Mr. Joseph Rotell, Treasurer