

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Milwaukee District Office
517 E. Wisconsin Avenue, Room 737
Milwaukee, WI 53202-4504
(414) 297-1501 / FAX: (414) 297-1685



July 8, 2005

Richard Cormican, President
Carpenters, Local 264
N25 W23055 Paul Road
Pewaukee, WI 53072-0790

File number is: 066-611

Dear Mr. Cormican:

This office has recently completed an audit of Carpenters Local 264 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 Treasurer Doleschy on May 25, 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.

Record Keeping Violations

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 audit revealed that Local 264 failed to record in its records the date that some dues payments and some payments from banks for interest earned on certificates of deposit were received. 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.

As agreed, provided that Local 264 maintains adequate documentation for its receipts in the future, no additional enforcement action will be taken regarding this violation.

Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Local 264 for fiscal year ending June 30, 2004 was deficient in the following areas:

1. Item 13 (Acquire any goods or property in any manner other than by purchase or dispose of any goods or property in any manner other than by sale) should have been answered "Yes" instead of "No," because Local 264 gave away goods in excess of \$35,000 to members during the year. These goods included gift certificates, sporting event tickets, and entertainment books. The type and value of any property received or given away must be identified in the additional information section of the LM report with the identity of the recipient(s) or donor of such property. In addition, Local 264 must retain records which adequately account for all property that is purchased, sold, and given away.
2. Local 264 incorrectly reported payments to officers Item 24 (All Officers and Disbursements to Officers). Local 264 records reflect that officers received payments for "expenses" and "committee fees." You advised that these payments are intended to compensate the officers for the work that they do and are not intended to be reimbursement to them for any specific expenses. Therefore, the payments should be included in the amounts reported in Schedule D (Salary). It appears the payments were reported in Column E (Allowances and Other Disbursements).

Local 264 also failed to include some reimbursements to officers and employees in the amounts reported in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in Item 48 (Office and Administrative Expenses) and/or Item 54 (Other Disbursements). All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in Item 24. A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment made by your organization to another party (including credit card companies) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expenses).

3. Local 264 failed to use the correct accounting method when completing its LM-3. Form LM-3 must be prepared using the cash method of counting. Under the cash method of accounting, receipts are recorded when money is actually received by your organization and disbursements are recorded when money is actually paid out by your organization. The audit revealed that for LM reporting purposes, Local 264 calculated the information reported in Statement B (Cash Receipts) based on the dates that monies were deposited, not according to the dates that monies were received (as required by the cash method of accounting.)

I am not requiring that Local 264 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.

Other Issues

1. The CAP disclosed a violation of LMRDA section 201(a) which requires that unions submit a copy of their current constitution and bylaws with its LM report when bylaw changes are made. Local 264 amended its constitution and bylaws in 2001, but a copy of the constitution and bylaws was not filed with Local 264's LM-3 report for that year. Two copies of Local 264's constitution and bylaws have now been filed.
2. During the audit, I advised you that authorization of the salary amounts paid to union officers could not be found in union records. I suggest that Local 264 take steps to record the authorized salary amounts by discussing them at a future meeting and recording them in meeting minutes or some other internal document. When the authorized salaries have been recorded in union records, I would appreciate it if you would forward a copy of the record documenting the authorization to me at the above address.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to yours, Mr. Doleschy, and Mr. De Pons' successors at whatever time you may leave office.

I want to extend my personal appreciation to you, Mr. Doleschy, Mr. De Pons and the Chicago Regional Council of Carpenters staff for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

TCU

Investigator

cc: Thomas Doleschy, Treasurer
Gordon De Pons, Financial Secretary