

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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September 30, 2008

Mr. Edward Coryell, Executive Secretary-Treasurer/Business Manager
Carpenters Independent Union
District Council Metro Philadelphia
1803 Spring Garden Street
Philadelphia, PA 19130

LM File Number 006-173

Case Number: [REDACTED]

Dear Mr. Coryell:

This office has recently completed an audit of Carpenters District Council 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 your accountant Ron Feldman on Monday, September 21, 2008, 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 the District Council's 2007 records revealed the following recordkeeping violations:

1. Credit Card Expenses

The District Council did not retain adequate documentation for credit card expenses incurred by Business Manager Edward Coryell for purchases incurred on the union's American Express credit card. 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. During the course of the audit, all backup documentation was obtained by the union to verify credit card payments.

2. Failure to Maintain Disbursement Documentation

The Council did not retain adequate documentation verifying the purpose of a disbursement made by check. Specifically, the Council was missing an invoice for Check [REDACTED] written for \$21,500 to Berm Studios. Labor organizations must retain original receipts, bills, and vouchers for all disbursements. However, during the course of the audit, the Council obtained and provided adequate backup documentation to explain and verify the disbursement.

3. Failure to Maintain Receipt Documentation

The District Council did not retain adequate documentation for the source of a \$608,701.67 deposit into the Council's General Fund 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. As noted above, the officers required to sign your union's LM report are responsible for properly maintaining union records. During the

course of the audit, documentation was provided by the Council to explain the source of the income.

4. Checks to Cash

The Council did not maintain adequate backup documentation for checks written to "cash." Specifically, two checks written to "cash" for per diem expenses for you for union business travel totaling \$500 had no backup documentation. However, during the course of the audit, receipts and a spreadsheet were provided which verified the purpose of the checks to cash.

5. Union Owned/Leased Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2.

The Council incurred expenses totaling at least \$645,759.65 for automobiles during 2007. However, the Council did not maintain records documenting business versus personal use of the 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 or leased vehicles in Schedules 11 and 12 of the LM-2, allocated to the officer or employee to whom each vehicle is assigned.

For each trip they take using a union owned or leased vehicle, officers and employees 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.

6. PAC Fund

The Carpenters District Council mistakenly made a political contribution using money from the union's General Fund Checking Account instead of the union's PAC Fund. Specifically, the Council paid \$10,149.57 to have carpet installed in [REDACTED] office. During the course of the audit, however, the union corrected its error by writing a check from the PAC Fund to reimburse the General Fund Checking Account.

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


Other Issue

Use of Signature Stamp

During the audit, accountant Ron Feldman advised that it is the Council's practice for your secretary to stamp your signature on some union checks when you are out of the office on union business. Your bylaws do not specifically address the issue of check signatures; however, the two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. The use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that the District Council review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Carpenters District Council 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: Ron Feldman
Larry Dunn, President