



August 26, 2015

Mr. Greg Leckwee, President
Carpenters Local 314
1602 South Park Street
Madison, WI 53715

Case Number: 320-6005052 [REDACTED]
LM Number: 007999

Dear Mr. Leckwee:

This office has recently completed an audit of Carpenters Local 314 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, Financial Secretary Scott Watson, Treasurer Ed Bornemann, and Local 314's accountant, John Bakunowicz, on August 18, 2015, 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 314's 2014 records revealed the following recordkeeping violations:

1. Disbursements to Vendors, General Reimbursed Expenses, and Credit Card Expenses

Local 314 did not retain adequate documentation for disbursements to vendors, payments to you and member [REDACTED], and nine credit card expenses totaling at least \$16,587. For example, adequate supporting documentation was not retained for a \$300

check issued to Gander Mountain on July 10, 2013 for gift cards that were donated to the North Central States Regional Council of Carpenters (NCSRCC) Scholarship Golf Fund. In support of this expense, Local 314 only retained the check stub, which is not sufficient. In addition, adequate supporting documentation was not retained for a \$259.96 charge former Treasurer [REDACTED] made at Menard's on June 12, 2013 to purchase tools for Local 314's monthly tool raffle. In support of this expense, Local 314 only retained a credit card statement, which is not sufficient.

As another example, officers and employees were not required to submit itemized meal receipts for meal expenses totaling at least \$199. In addition, Local 314's records of meal expenses did not always include written explanation of union business conducted or the names and titles of the persons incurring or receiving the benefit of the restaurant charges. For example, a receipt retained for a \$115.25 check issued to Jim's Pizza in Janesville, WI on January 16, 2014 did not include the nature of the union business conducted and the full names and titles of those present on the receipt.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. Records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses. 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. Disposition of Property

During fiscal year 2014, Local 314 purchased items (e.g., tools, t-shirts, stickers, gift cards, food pantry items, etc.) totaling at least \$50,429 that were given away to members, but failed to maintain an inventory of the property that was purchased and given away. Records must be retained which account for all union property. In the case of union shirts, tools, food pantry items, gift cards, or other items sold or given away to members, records must be maintained to clarify and support information required to be reported by Local 314 in Statements A and B of the Labor Organization Annual Report (Form LM-2). The value of any tools, shirts, gift cards, or similar property on hand at the beginning and end of the year should be reported in Item 28 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the Form LM-2 report with the identity of the recipient(s) or donor of such property.

3. Failure to Record Receipts and Receipt Dates not Recorded

The audit revealed that Local 314 did not record in its receipts records cash donations received from members "passing the hat" at the September 11, 2013 membership meeting

totaling at least \$254. In addition, entries in Local 314's QuickBooks general ledger reflect the date the union deposited money, but not the date money was received for receipts totaling \$329,713.45. Union receipts records must show the date of receipt.

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. 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-2. The LM-2 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 314 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-2) filed by Local 314 for the fiscal year ended June 30, 2014, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away tools, t-shirts, stickers, gift cards, food pantry items, and other items totaling more than \$50,000 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers

Local 314 did not include some reimbursements to you for food pantry purchases totaling at least \$2,448 in Schedule 11 (All Officers and Disbursements to Officers). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in

Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

3. Failure to Itemize Disbursement

Local 314 did not properly report two “major” transaction(s) in Schedule 17 (Contributions, Gifts & Grants). A “major” transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. The audit found that Local 314 had disbursements totaling at least \$17,836 to the Frank Doolittle Company for clothing and pencils, but failed to report non-itemized transactions totaling \$4,168 on the itemization page for the Frank Doolittle Company in Schedule 17. Additionally, Local 314 had charges totaling at least \$5,891 to Menard’s for tools and gift cards; however, Local 314 did not properly report those charges on an itemization page for Menard’s in Schedule 17.

I am not requiring that Local 314 file an amended LM report for 2014 to correct the deficient items, but Local 314 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

Single Signature Requirement/Pre-signing Checks

The audit revealed that Local 314’s Janesville Volunteer Organizing Committee (VOC) checks are signed by only one person, Janesville VOC member [REDACTED], who is not an officer of Local 314. At the opening interview, you, Mr. Watson, and Mr. Bornemann also advised that checks are pre-signed “once in a while” because of availability issues with the officers authorized to sign Local 314’s checks. Section 37A of the United Brotherhood of Carpenters International Constitution requires that “all checks of the Local Union must be signed by two or more officers of the Local Union.” 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, a single signature requirement on union checks and pre-signing of checks do not attest to the authenticity of a completed check, and negate the purpose of the two signature requirement. OLMS recommends that Local 314 review these procedures to improve internal control of union funds. At the exit interview, Mr. Watson advised that Local 314 no longer allows checks to be pre-signed and that he will be contacting the District Council’s legal department for guidance on how to proceed with the checking account for the Janesville VOC.

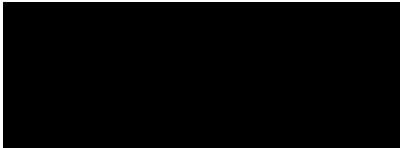
Mr. Greg Leckwee

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I want to extend my personal appreciation to Carpenters Local 314 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. Scott Watson, Financial Secretary
Mr. Ed Bornemann, Treasurer