

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Milwaukee District Office
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Milwaukee, WI 53202
(414) 297-1501 / FAX: (414) 297-1685



February 14, 2005

Mr. William Roehr, President
Carpenters Local 2283

6

2

Dear Mr. Roehr:

This office has recently completed an audit of Carpenters Local 2283 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 yourself and Mr. Dziedzic on February 1, 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.

- 1) Union officers and employees failed to retain adequate documentation for several reimbursed expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record. As an example, you failed to retain documentation for the expenses you incurred at the August 2003 convention in Milwaukee, WI. Additionally, original documentation was not retained for a supply expense submitted by Mr. Ksioszk as well as a refreshment expense submitted by Mr. Tackes.
- 2) Documentation was not retained for other types of disbursements, including a laptop computer and a down payment on a banquet hall. Treasurer Dziedzic subsequently provided copies of the missing invoices to me during the audit.

With respect to documentation retained in support of specific disbursements, 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.

At the exit interview, you advised that Local 2283 has adopted new guidelines for the purpose of reimbursing expenses for officers and employees, part of which highlights the necessity for submitting sufficient (original) documentation. Additionally, you provided me with a copy of those guidelines as well as the new expense voucher the local has also adopted.

- 3) Adequate records of monies received by Local 2283 were not retained. Local 2283 identifies all receipts of income as "deposits" in the checkbook register. 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.
- 4) The union failed to retain an inventory of apparel, including jackets and shirts valued at almost \$1,200, which were purchased and given away. Records must be retained which account for all union property. The detail of records required to be maintained for items given away is somewhat dependant upon the manner in which the property is distributed. In the case of union jackets and shirts given away at meetings, the identity of the apparel recipient should be listed in some union record along with the type of union apparel and its approximate value.

Additionally, a record should be maintained of all the property the union has on hand. During the exit interview, Mr. Dzedzic confirmed that various items were on hand at the end of the fiscal year. The value of any items on hand at the beginning and end of the year must be included in the amounts reported in Item 30 (Other Assets) of the LM-3. Local 2283 must retain records which will provide in sufficient detail the information and data necessary to verify the accuracy and completeness of the amounts reported in those items.

As agreed, provided that Local 2283 maintain adequate documentation for its receipts and disbursements in the future, no additional enforcement action will be taken regarding this violation.

Reporting Violations

- 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 the union gave away union merchandise at membership meetings throughout the

year. The type and value of any property 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.

Local 2283 erroneously reported depreciation expenses in Item 56 (relative to Item 13) on the LM-3 report for fiscal year ending June 30, 2004. Depreciation expenses are not reported on the LM-3 report.

- 2) The monthly payments to officers for "per diem" were incorrectly included in the amounts reported in Item 24, Column E (Allowances and Other Disbursements of the LM-3 report). During the organizational interview on November 12, 2004 with yourself and Mr. Dziejczak, you informed me that the monthly payments you and other officers receive from the local are for the purpose of compensating the officers for the work that they do for Local 2283 and are not to reimburse the officers for out-of-pocket expenses. Payments for such a purpose are considered salary for LM-3 reporting purposes and should be reported in Item 24, Column D (Gross Salary) of the LM-3 report.

At the exit interview, Mr. Dziejczak advised that as of January 1, 2005, Local 2283 has been identifying these payments as salary in its records.

I am not requiring that Local 2283 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) During the audit, you advised that you occasionally sign blank checks in advance. Your union's bylaws require that all checks be signed by the president and treasurer. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. You may want to revise your check disbursement method.
- 2) The CAP revealed that Local 2283 appears to improperly follow state or federal requirements for withholding of various taxes from payments to officers and employees. While Local 2283 itself may be exempt from income taxes, payments made by Local 2283 to officers and employees are not exempt, except in certain circumstances. While this office has no authority to interpret the state or federal tax code, it is my understanding that all salary and supplemental payments (*as discussed in the reporting section of this letter*) are subject to the withholding of income, Social Security, and Medicare taxes, and that Local 2283 as an "employer" must also pay its share of Social Security and Medicare taxes. Local 2283 may be liable for the Federal Unemployment Tax (FUTA) as well. I recommend that you contact your union's accountant, the Wisconsin Department of Revenue in Madison at (608) 266-2776 (ask for the publication "Wisconsin

William Roehr
February 14, 2005
Page 4 of 4

Employer's Withholding Tax Guide"), and the Internal Revenue Service (ask for "Circular E, Employer's Tax Guide" and Form 990, which Local 2283 may be required to file). I also suggest that you determine Local 2283's requirements, if any, under the Wisconsin Worker's Compensation Act by contacting the Wisconsin Dept. of Industry, Labor and Human Relations (DILHR) at its Worker's Compensation Division in Madison at (608) 266-0416.

- 3) No authorization was found in the meeting minutes or other records for the purchase of the laptop computer. The laptop was purchased from the MCRC for \$1,653.21. Local 2283's constitution and by-laws do not appear to give the executive board or any individual officer the authority to purchase an item of this nature without the consent of the membership. I recommend that in the future authorization for purchases of assets be recorded in some union record.

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 and Mr. Dziedzic's successors at whatever time you may leave office.

I want to extend my personal appreciation to you and your entire 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,


Investigator

cc: Jeffrey Dziedzic, Treasurer
Ted Poull, Recording Secretary

2