

**U.S. Department of Labor**

Office of Labor-Management Standards  
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September 11, 2009

Mr. John Kime, Financial Secretary  
Carpenters Local 1142  
119 Short Street  
Lawrenceburg, IN 47025

LM File Number: 017-246  
Case Number: [REDACTED]

Dear Mr. Kime:

This office has completed an audit of Carpenters Local 1142 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 on May 23, 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 Local 1142's 2007 records revealed the following recordkeeping violations:

1. Inadequate Documentation Retained

Local 1142 did not retain adequate documentation for credit card expenses incurred by you totaling at least \$684.60. Local 1142 did not retain purchase receipts for any of its credit card purchases.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements in order to clarify and verify all union expenditures. 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. Deposit slips

Local 1142 did not retain a bank deposit slip for its September 2006 bank deposit.

Based on your assurance that Local 1142 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 1142 for fiscal year ending June 30, 2007, was deficient in the following areas:

Loans Receivable

During the audit you told OLMS that Local 1142 received restitution from former Office Secretary [REDACTED] as repayment for money embezzled in 2006. The restitution was correctly reported in Item 43 (Other Receipts) on the report for the fiscal year ending June 30, 2007. However, the restitution outstanding, \$1,180, was reported in Item 26B (Loans Receivable). Since this money was not loaned to [REDACTED], it should not be reported as a loan receivable. Instead, you were advised that an explanation be

provided in Item 56 (Other Information) about the money repaid by [REDACTED] as well as any unpaid balance.

## 2. 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 1142 amended its constitution and bylaws in 2001, but did not file a copy with its LM report for that year.

Local 1142 has now filed a copy of its constitution and bylaws.

While I am not requiring that you do so, you may wish to file an amended report for 2007 to reflect more accurately the restitution paid by Ms. Beyer.

### Other Issues

#### 1. Use of a Signature Stamp and Signing Blank Checks

During the audit, you advised that it is Local 1142's practice for the office secretary to sign all union checks and to stamp the signature of President Tom Koons on union checks. You indicated that no one but the office secretary reviews these checks before they are issued. You also advised that union officers were pre-signing blank checks.

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. However, the use of a signature stamp for the second signer or signing a blank check in advance does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1142 review these procedures to improve internal control of union funds.

#### 2. Inventory of Property

The union hall contains property such as computers, appliances, office equipment, desks, and chairs. Over time such property may be sold, given away, or disposed of. In order to keep track of fixed assets such as office furniture and equipment, I recommended that the union maintain an inventory or similar record of property on

hand to verify, clarify, and explain the information that must be reported in Item 29 (Fixed Assets).

I want to extend my personal appreciation to Carpenters Local 1142 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,

A solid black rectangular box redacting the signature of the investigator.

Investigator

cc: President Tom Koons