



November 9, 2011

Mr. Jeffrey McBee, President
Carpenters Local 1181



Case Number: [REDACTED]
LM Number: 541901

Dear Mr. McBee:

This office has recently completed an audit of Carpenters Local 1181 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, Business Representative Rocky Kloth and Treasurer Ray Soemer on October 28, 2011, 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 1181's 2010 records revealed the following recordkeeping violations:

1. General Expenses

Local 1181 did not retain adequate documentation for expenses incurred by union officers totaling at least \$946.29. For example, check number [REDACTED] in the amount of \$87.42 made

payable to Business Representative Rocky Kloth for breakfast; check number [REDACTED] in the amount of \$484.07 made payable to Sears for a refrigerator; and check number [REDACTED] in the amount of \$215.46 made payable to KC Net for the local's website.

As 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.

2. Meal Expenses

Local 1181 records of meal expenses did not always include itemized receipts and written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. Union records of meal expenses must include itemized receipts and 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.

3. Disposition of Property

Local 1181 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

Based on your assurance that Local 1181 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 1181 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year.

Local 1181 has now filed a copy of its constitution and bylaws.

Other Issue

Use of One Signature

During the audit, you advised that it is Local 1181's practice to only use one signature on all union checks. Section 37 of the United Brotherhood of Carpenters and Joiners of America's Constitution requires all checks of a local union be signed by two or more officers. 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 one signature does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1181 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Carpenters Local 1181 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 used to redact the signature of the investigator.

Investigator