



March 3, 2011

Mr. Lloyd Hicks, Secretary/Treasurer
Carpenters IND, Local 127
5532 Eastcliff Industrial Loop
Birmingham, AL 35210

Case Number: [REDACTED]
LM Number: 517547

Dear Mr. Hicks:

This office has recently completed an audit of Carpenters IND, Local 127 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 President Heath Stanford on February 24, 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 127's 2010 records revealed the following recordkeeping violations:

1. General Disbursements

Local 127 did not retain adequate documentation for disbursements totaling at least \$250.00. For example, check number [REDACTED], dated 4-15-2010, in the amount of \$250.00, payable to MSCRC did not have an invoice or receipt.

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. Information not Recorded in Meeting Minutes

During the audit Secretary/Treasurer Hicks advised OLMS that the membership authorized lawn care services at a price of \$125.00 per service to be performed by Daniel Hicks. A total of \$1,375.00 was paid to Daniel Hicks between 7-1-09 and 6-30-10. Section 6(b) of the By Laws requires the membership to approve such expenses. The minutes of the meetings do not contain any reference to this issue. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

3. General Reimbursed Expenses

Local 127 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$941.77. For example, the local reimbursed Vice President Kevin Wade \$442.77 for a trip to Nashville, TN in July/August 2010 and the voucher did not specify the nature of trip, the exact dates of the trip, or the nature of union business conducted. Additionally check number [REDACTED], dated 4-26-2010, in the amount of \$498.58, payable to Trustee Carlos Flaccavento for a staff meeting trip to Orange Beach, AL in April 2010 was not supported by an expense voucher or an adequate explanation of the nature of the union business or a receipt or invoice.

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.

4. Lack of Salary Authorization

Local 127 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

5. Lost Wages

Local 127 did not retain adequate documentation for a lost wage reimbursement payment to a union officer totaling \$540.00. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 127 maintained lost time vouchers, however; one of the vouchers was missing and no other supporting documentation was present in the files to identify the nature of the union business conducted.

During the exit interview, I provided a sample of an expense voucher Local 127 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

6. Failure to Maintain Records for Vacation Time

Local 127 did not maintain records to verify that the vacation time earned and used by Office Manager Faye Nunn was the authorized amount and therefore was correctly reported. Nunn earned 3 weeks paid vacation and 13 personal/sick paid days per calendar year. The union did not maintain a record of any of these paid absences or a record of vacation days used, carried over to next calendar year, or remaining vacation balance at any time during the year. The union must keep a record, such as meeting minutes, to show the current salary and/or allowances authorized by the entity or individual in the union with the authority to establish such allowances.

Based on your assurance that Local 127 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 127 for fiscal year ending June 30, 2010 (latest year on file), was deficient in the following areas:

1. Disbursements to Officers

Local 127 did not include some reimbursements to officers totaling at least \$734.00 in the amounts reported in Item 24 (All Officers and Disbursements to Officers), Column E (Allowances and Other Disbursements). It appears the union erroneously reported the reimbursements in Column D (Gross Salary).

Amounts entered in Column D are gross salary (before taxes and payroll reductions) and includes disbursements for Lost Time or time devoted to union activities. The amounts entered in Column E include all other direct and indirect disbursements to each officer other than salary, including allowances,

disbursements which were necessary for conducting official business of your organization, and disbursements essentially for the personal benefit of the officer and not necessary for conducting official business of your organization. Examples include allowances made by direct or indirect disbursements to each officer on a daily, weekly, monthly, or other periodic basis; all expenses reimbursed directly to an officer; and various goods and services furnished to officers but charged to your organization.

2. Contributions, Gifts, and Grants

It appears that the total figures reported in Item 51 are not the total figures according to the union's books after reconciliation to the bank statements. The union entered \$259.00 when the correct amount should have been \$200.00. The instructions for Item 51 state that the union should enter the total of all disbursements for contributions, gifts, and grants made by your organization.

3. Failure to File By Laws

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 127 amended its By Laws in 2001 but did not file a copy with its LM report for that year. Local 127 took immediate steps to correct the violation and has now filed a copy of its constitution and bylaws.

I am not requiring that Local 127 file an amended LM report for 2010 to correct the deficient items, but Local 127 has agreed to properly report the deficient item on all future reports it files with OLMS.

I want to extend my personal appreciation to Carpenters IND, Local 127 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. Heath Stanford, President