

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Minneapolis Resident Investigative Office
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May 24, 2007

LM File Number 066-899
Case Number [REDACTED]

Mr. James Finch, President
Carpenters, Ind, Local 1348
307 North 1st Street
Virginia, Minnesota 55792

Dear Mr. Finch:

This office has recently completed an audit of Carpenters Local 1348 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 Financial Secretary Rodger Brown, Administrative Assistant Nancy Edman, accountant Kaija Isaacson, and you on March 16, 2007, 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 Carpenters Local 1348's 2006 records revealed the following recordkeeping violations:

1. Failure to Maintain Adequate Records for Expenses

Local 1348 did not retain adequate documentation for various disbursements totaling at least \$2,218. As an example, no receipt or other documentation was retained for a purchase of \$384.00 at a Holiday station store on December 9, 2005. Financial Secretary Brown explained during the audit that the purchase was for four \$100 gas cards that were given away at the union's Christmas party. Mr. Brown further explained that the store had a promotion that allowed the union to receive a discount on the gas cards. Other purchases for which no supporting documentation was retained include pizza for meetings, other gift cards and gift certificates given away at the Christmas party, golf tournament expenditures, and supplies which were resold to members.

As previously 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. Disposition of Property

Local 1348 did not maintain an inventory of hats, shirts, and sweatshirts 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. Local 1348 must retain records that identify the type and value of any property received or given away because this information must be reported on the Labor Organization Annual Report (Form LM-3) filed with OLMS. In the case of Local 1348, receipts from items sold to members were recorded in union receipts records, but Local 1348 failed to retain records that identify the recipients of property given away.

Based on your assurance that Local 1348 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 1348 for fiscal year ending June 30, 2006, was deficient in the following areas:

1. Item 13 – Acquisition or Disposition of Assets

Item 13 (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 jackets and sweatshirts totaling more than \$4,480 during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. In addition, for assets that were traded in, the cost, book value, and trade-in allowance must be reported.

2. Item 17 – Employees

Item 17 was incorrectly answered "No," and should have been answered "Yes," because administrative assistant Nancy Edman received more than \$10,000 in salary payments. As noted in the LM-3 instructions for Item 17, the name and position of any employee who received \$10,000 or more from your organization and any affiliate must be noted in Item 56 (Additional Information) with the names of the affiliated labor organizations which made disbursements to or on behalf of the employee.

3. Item 24 – All Officers and Disbursements to Officers

Local 1348 did not report Warden Jeshua Brown in Item 24. Mr. Brown was the Warden during part of 2006 and received at least \$300. It appears the union erroneously reported these payments in Item 46 (Disbursements to Employees).

Section 3(n) of the LMRDA defines an "officer" as "any constitutional officer, any person authorized to perform the functions of president, vice president, secretary, treasurer, or other executive functions of a labor organization, and any member of its executive board or similar governing body." According to Section 31 of the United Brotherhood of Carpenters and Joiners of America constitution, "the officers of a Local Union shall be a President, Vice President, Recording Secretary, Financial Secretary, Treasurer, Conductor, Warden, and three Trustees." The local's Executive Board is comprised of these officers.

The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union. The union must report all direct disbursements to Local 1348 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

4. Item 30 – Other Assets

Local 1348 reported in Item 30 that it had no other assets at the beginning or end of 2006. As noted above, the audit revealed Local 1348 sells t-shirts, sweatshirts, and various other items to members and appears to have had a supply of those items on hand at the beginning and end of the year. The LM-3 instructions for Item 30 require that you report the book value of those assets at the start and end of the reporting period.

5. Item 39 – Per Capita Tax

The amount reported in Item 39 (Per Capita Tax) is incorrect. Local 1348 reported it received \$64,770 in per capita tax during the audit period. The audit revealed this is the amount that the Lakes and Plains Regional Council remitted to Local 1348 as a per capita tax rebate. The LM-3 instructions for Item 39 apply to intermediate and parent bodies and require that those entities report the amount of per capita received from their affiliates. The amount received by Local 1348 for per capita tax rebates should be reported in Item 43 (Other Receipts).

6. Item 46 – Disbursements to Employees

Local 1348 failed to include in Item 46 (Disbursements to Employees) indirect disbursements to administrative assistant Nancy Edman totaling at least \$38,000. Local 1348 reported total disbursements to employees of \$2,427. Ms. Edman's salary is paid to her by Carpenters Local 606. Local 1348 reimburses Local 606 for those payments and related employer payroll taxes. The LM-3 instructions for Item 46 require that you report both direct and indirect disbursement to employees. The payments to Local 606 are indirect disbursement to Ms. Edman for LM-3 reporting purposes. However, do not include in the amount reported in Item 46, the portion of payroll taxes withheld from employee paychecks which must be reported in Item 54 (Other Disbursements). The employer portion of payroll taxes must be reported in Item 48 (Office and Administrative Expense).

I am not requiring that Local 1348 file an amended LM report for 2006 to correct the deficient items, but Local 1348 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

Internal Controls


During the audit, Mr. Brown advised that it is Local 1348's practice for him to sign all union checks and to stamp the signature of another officer on union checks. 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, the use by the primary signer of a signature stamp for the second signature does not attest to the authenticity of the completed check, and completely circumvents and undermines the

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purpose of the countersignature requirement. I recommend that Local 1348 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Carpenters Local 1348 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: Rodger Brown, Financial Secretary