



June 9, 2015

Mr. John Brown, President
Carpenters Local 2012
21240 Vaughn Road
Georgetown, DE 19947

Case Number: 140-6003294()
LM Number: 029741

Dear Mr. Brown:

This office has recently completed an audit of Carpenters Local 2012 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 June 4, 2015, 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 2012's 2014 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

Local 2012 did not record in its receipts records some cash receipts and reimbursements from the Metropolitan Regional Council totaling at least \$4,750.96. For example, the union collected cash receipts for initiation fees, tools, and membership dues, yet did not specify in their records the source of each cash deposit. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

2. Receipt Records (Duplicate Receipts)

Local 2012 did not always record in its duplicate receipt records accurate information that should have been consistent with information entered into the Carpenters Ulta System. For example, on October 21, 2013, the local collected an initiation fee from a union member, but the initiation fee was not recorded in the Ulta system. The audit also revealed that on several occasions members paid cash to the union, but a duplicate receipt was not provided to the member.

3. Petty Cash

During the audit year, Local 2012 used the cash collected from local members' initiation fees, tools, and membership dues for petty cash disbursements. Although the local maintained the majority of receipts to support petty cash disbursements, the local did not maintain a running balance to account for the cash on hand at the union office.

Based on your assurance that Local 2012 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(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (LM-3) filed by Local 2012 for the fiscal year ended June 30, 2014, was deficient in that:

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 2012 amended its constitution and bylaws in 2009, but did not file a copy with its LM report for that year.

Local 2012 has now filed a copy of its constitution and bylaws.

Other Issue

Two Signature Requirement

During the audit, you advised that it is Local 2012's practice for two officers to sign all union checks. The audit revealed that on several occasions there was only one signature on union checks. The two signature requirement is an effective internal control of union funds. The cosigner of each check should fully understand that his/her fiduciary responsibilities, and the union should require that the checks be signed only after they are completely filled out and the cosigner knows the purpose and legitimacy of each transaction. OLMS recommends that Local 2012 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Carpenters Local 2012 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