

U.S. Department of Labor

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June 23, 2008

Mr. Mark Scott, President
Carpenters IND Local 344
P.O. Box 790 STE 1
N25 W23055 Paul Road
Pewaukee, WI 53072-0790

LM File Number: 006-609
Case Number: [REDACTED]

Dear Mr. Scott:

This office has recently completed an audit of Carpenters Local 344 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, former Treasurer Eric Strom, Treasurer Jack Jans, and Victor Ancich on June 17, 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 344's 2007 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

Local 344 did not record in its receipts records money collected from union members for the poker run and golf outing totaling at least \$3,268 and deposited into the union's checking account. Receipts records must include an adequate identification of all money received. The records should show the date and amount received, and the source of the money.

2. Receipt Dates not Recorded

Entries in Local 344's QuickBooks file reflect the date money was deposited, but not the date money was received. Receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The LM-2 instructions for Statement B state that receipts must be recorded when money is actually received and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received.

3. Disbursements to Vendors and Reimbursements to Officers

Local 344 did not retain adequate documentation for disbursements totaling at least \$4,070. For example, supporting documentation was not retained for a \$1,000 disbursement to the Milwaukee County Labor Council on August 31, 2006 to purchase food tickets to Laborfest. Supporting documentation was not retained for an \$806 disbursement on June 13, 2007 to the Milwaukee Brewers for the Iron Workers Memorial Game on July 14, 2007. Supporting documentation was not retained for two disbursements totaling \$949 to Music in Motion for the annual dinner dance on February 17, 2007 and March 24, 2007.

Local 344 did not maintain adequate supporting documentation for reimbursed expenses incurred by former Treasurer [REDACTED], former Trustee [REDACTED], Trustee Richard Marquardt, Trustee William Schultz, Vice President Robert Szeplinski,

Recording Secretary Keith Lynn, and you totaling at least \$1,047. For example, supporting documentation was not retained for \$398.99 of a \$1,257.90 reimbursement to former Treasurer Strom for refreshments for union meetings, and supporting documentation was not retained for \$300 of a \$727.99 reimbursement to Trustee Schultz for prizes for the golf outing in October 2006.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principle officers) of your union, who are required to sign your union's Labor Organization Annual Report (Form LM-3), are responsible for properly maintaining union records.

4. Failure to Maintain Records

Local 344 failed to retain the first three pages of the June 2006 Layton State Bank statement for the checking account and did not retain at least 30 checks voided during the audit year. As a general rule, all types of records created or used in the normal course of doing union business must be maintained by the union for five years.

Based on your assurance that Local 344 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-2) filed by Local 344 for fiscal year ending June 30, 2007, was deficient in the following areas:

1. Benefits

Local 344 erroneously reported a disbursement to the Chicago Regional Council of Carpenters for retiree dues totaling \$22,305 in Schedule 20 (Benefits), which should be reported in Schedule 18 (General Overhead). Disbursements for benefits that should be reported in Schedule 20 include disbursements for life insurance, health insurance, and pensions.

2. Items Given Away to the Membership

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) was answered, "Yes," on the LM report for 2007, but Local 344 failed to list the property given away in Item 75 (Additional Information). The audit revealed that Local 344 spent at least \$6,472 on jackets, watches, entertainment books, Brewers tickets, and Packers tickets. It appears that all of these items were given away to members at membership meetings during the audit 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. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

3. Purchase and Sale of Investments

Local 344 incorrectly reported the reinvestment or roll-over of marketable securities in Schedule 3/Item 43 (Sale of Investments and Fixed Assets) and Schedule 4/Item 60 (Purchase of Investments and Fixed Asset). In Schedule 3, Local 344 reported it sold \$1,126,033 in Municipal Bonds, Corporate Bonds, Mutual Funds, and US Treasury Securities. However, proceeds from the sale of the bonds appear to have been promptly reinvested. The erroneous reporting of Local 344's reinvestments caused the total receipts for the 2007 LM report to be overstated by at least \$1,000,000. The LM-2 instructions for Schedule 3 require that you report on Line 14 the total amount from the sale or redemption of U.S. Treasury securities, marketable securities, or other investments that was promptly reinvested.

Local 344 must file an amended Form LM-2 for fiscal year ending June 30, 2007, to correct the deficient items discussed above. I explained to you the filing procedures and the availability of filing software on the OLMS website (www.olms.dol.gov). The amended Form LM-2 must be electronically filed as soon as possible, but not later than July 16, 2008. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

Other Issues

1. Lack of Salary Authorization for the Treasurer and Recording Secretary

The February 1, 2005 executive board meeting minutes indicate that Mr. Strom's and Recording Secretary Keith Lynn's salary is 15 hours a month. The audit revealed that Mr. Strom and Mr. Lynn were paid 17 hours a month during the audit year. The additional 2 hours paid to Mr. Strom and Mr. Lynn resulted in an overpayment of \$681.84 for the audit year.

At the exit interview, Mr. Strom advised that he mistakenly thought that his and Recording Secretary Keith Lynn's salaries were 17 hours a month when the officers' salaries were authorized by the executive board at the February 1, 2005 executive board meeting. After the officers salaries were increased at the February 1, 2005 executive board meeting, Mr. Strom thought that Financial Secretary David Lopez's monthly salary was 15 hours a month, which is why he paid himself and Mr. Lynn a monthly salary of 17 hours because the financial secretary's salary should be two hours less than the salary for the recording secretary and treasurer. Mr. Strom stated that he either made a mistake by paying an additional two hours to himself and Mr. Lynn or there is an error in officer salaries reported in the February 1, 2005 executive board meeting minutes. You and Mr. Strom stated that you will review the February 1, 2005 executive board meeting minutes to determine the correct salary for the treasurer and recording secretary. If Mr. Strom and Mr. Lynn have been overpaid, please provide OLMS evidence of their repayments to Local 344.

2. Additional Salary Check Issued to Financial Secretary David Lopez

The audit revealed that Financial Secretary David Lopez was issued two \$745.11 checks, check [REDACTED] and check [REDACTED], on November 13, 2006 for salary. Both checks cleared. It appears that Mr. Lopez was issued an additional salary check for November 2006. During the exit interview, you and Mr. Strom were unsure why Mr. Lopez was issued two salary checks in November. You stated that the union will look into the matter and determine why Mr. Lopez was issued an additional salary check. If Mr. Lopez repays Local 344 any amount, I would appreciate it if you would provide evidence of that repayment to me.

3. Identifying Supporting Documentation for Checks

During the exit interview, I advised that Local 344 currently does not record the check number of each check on supporting documentation retained for disbursements. I recommended that Local 344 records the check number of a check on the supporting documentation retained for that check as an internal control to ensure that proper documentation is retained for each check and to aid trustees in locating and reviewing supporting documentation for specific checks during the monthly audits.

4. Checks Issued in Non-Numerical Order

During the exit interview, I advised that a few checks were issued out of numerical order during the audit year. As a good form of internal control, all checks issued from the union's checking account should be in numerical order because it helps provide adequate accounting for all union checks.

I want to extend my personal appreciation to Carpenters Local 344 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: Jack Jans, treasurer
Rick Marquardt, trustee
Jeffery Miller, trustee
William Schultz, trustee
Victor Ancich