



December 14, 2012

Mr. James Czaja, Financial Secretary
Carpenters Local 578
4979 Indiana Ave.
Lisle, IL 60532

Case Number: [REDACTED]
LM Number: 540-495

Dear Mr. Czaja:

This office has recently completed an audit of Carpenters Local 578 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, Office Manager Beth McKay, Legacy Professionals Partner Robert Cann and Attorney Gregory Freerksen on December 13, 2012, 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 578's 2011 records revealed the following recordkeeping violations:

1. Failure to Issue Receipts for Monies Collected in the Field

Local 578 reported that it does not issue contemporaneous receipts to members who make dues payments in the field. You advised that a hand written receipt would be

given to the member only upon request and that Office Secretary Beth McKay mailed ULTRA payment receipts after the dues monies were transferred to her possession in the office. A record must be maintained which accounts for all funds collected. The records should show the date and amount received, and the source of the money. Where cash receipts are handled, unions are strongly urged to issue a duplicate, numbered receipt to each individual making payment.

The date the funds are accepted from members in the field and the date the funds are recorded in the ULTRA dues software may not be the same. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Although not observed during the audit, failure to record the date money was received in the field could result in the union reporting some receipts for a different year than when it actually received them.

2. Lack of Salary Authorization

Local 578 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 compensation allowances for the entire executive board and additional allowances and stipends paid to you for your position as a Chicago Regional Council of Carpenters business representative were not clearly defined in any union record.

Likewise, the local did not maintain records to verify that salaries paid to employees in Item 46 (Disbursements to Employees) were authorized and therefore correctly reported. There was no record maintained which authorized the salary and/or benefits paid to Office Secretary Beth McKay for the audit year. Further, Local 578 members [REDACTED] and [REDACTED] were paid \$203.85 and \$978.48 respectively in December 2010. No purpose or authorization of these disbursements was found in the union records.

The union must keep a record, such as meeting minutes, to show the current compensation schedule for the executive board, office secretary, and any other members working on behalf of the union by the entity or individual in the union with the authority to establish salaries or compensation. Please provide OLMS with a copy of the salary authorization schedule for all officers and employees as soon as it is documented.

3. Failure to Maintain Bank and Book Records for Certificates of Deposit (CDs)

The union failed to maintain bank records and book values for several CD accounts held in the name of the union. At the beginning of the fiscal year, a majority of the union's assets (approximated at \$202,936) was in the form of CDs. However, neither bank nor book values were available to verify the financial condition of these accounts. As cited above, labor organizations must also retain bank records for all accounts.

Based on your assurance that Local 578 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issues

Single Signatory on All Checks

The audit revealed that you, as the financial secretary, were the sole signatory on all checks issued by Local 578 for the entire fiscal year. Section 37 of the Carpenters Constitution requires that all checks of a local union must be signed by two or more officers of the union. 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. OLMS recommends that Local 578 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Carpenters Local 578 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. Tommy Oliver, President