



February 15, 2013

Mr. Delmus Franklin, Financial Secretary  
Carpenters LU 638  
3309 Water Tower Road  
Marion, IL 62959

Case Number: 550-11664-  
LM Number: 516795

Dear Mr. Franklin:

This office has recently completed an audit of Carpenters LU 638 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 Recording Secretary George Birkner, and CPA [REDACTED] on February 14, 2013, 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 638's 2012 records revealed the following recordkeeping violations:

1. Lack of bank records

The local did not retain bank records for eight certificates of deposit, two money market accounts, and a treasury bond, which were all closed between November 1, 2011 and November 10, 2011.

As noted above, labor organizations must retain bank statements for all accounts. 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. Lack of Backup Documentation for Disbursements

Local 638 did not retain adequate documentation for disbursements incurred by the local totaling at least \$1,098.25. For example, the local installed a new alarm system at the union hall, totaling \$896.00, but did not retain any backup documentation, such as an invoice or job estimate.

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.

3. Reimbursed Auto Expenses

Union officers and employees who received mileage reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$1,378.00 between July 1, 2011 and June 30, 2012. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

4. Lost Wages

Local 638 did not retain any documentation for lost wage reimbursement payments to Delmus Franklin, Darrell Osman, and George Birkner totaling \$642.46. 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.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 638 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.

5. Disposition of Property

Local 638 did not maintain an inventory of t-shirts and gift cards 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.

The union must record in at least one record the date and amount received from each sale of union t-shirts and other items.

6. Lack of Salary Authorization

Local 638 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.

Based on your assurance that Local 638 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issues

1. Authorization/Approval Policy for Disbursements

As I discussed during the exit interview with you, the audit revealed that Local 638 does not have a clear policy regarding the authorization and approval of disbursements. In many instances, disbursements were approved only after the item/service was purchased. OLMS recommends that unions adopt written guidelines concerning authorization and approval of disbursements.

2. Expense Policy

Also, during the exit interview, I discussed with you that the audit revealed Local 638 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Carpenters LU 638 for the cooperation and courtesy

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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,

[REDACTED]

Investigator

cc: Mr. Mike Carter, Treasurer  
Mr. Darrell Osman, President  
Mr. [REDACTED], CPA