



October 13, 2010

Mr. James Dean, President  
Carpenters Local 712  
240 Ludlow Ave  
Springfield, OH 45505-1210

Case Number: [REDACTED]  
LM Number: 517-859

Dear Mr. Dean:

This office has recently completed an audit of Carpenters Local 712 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, Financial Secretary Teresa Berkshire, Treasurer Tom Edwards, Recording Secretary Doug Heeg, Mary Edwards, and Jim Falke on September 24, 2010, 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 712's 2009 records revealed the following recordkeeping violations:

1. Receipts for Disbursements

Local 712 did not retain adequate documentation for purchases totaling at least \$128.53. For example, no original receipt documentation was available for purchases made at Brain Lumber. Original receipts list the specific items that are purchased by the local. A monthly statement indicating a past due amount does not satisfy the documentation requirements that are outlined by the LMRDA.

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.

2. Meal Expenses

Local 712 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$559.07. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 712 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, disbursements to Donato's Pizza and reimbursements to Teresa Berkshire did not include any written explanations for their union purpose. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Lost Wages

Local 712 did not retain adequate documentation for a lost wage reimbursement payments to Trustee Joe Pittman totaling \$577.60. 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. The OLMS audit found that no documentation was available to verify that Pittman received two days lost time and travel per diem to attend a trustee workshop held in Las Vegas, NV in October 2009.

During the exit interview, I explained the type of information and documentation that the local must maintain for lost wages and other officer expenses to satisfy this requirement.

4. Union Hall Rental Records

Local 712 did not maintain proper receipts records from any individuals or any of the other union organizations that rented the local's union hall during the audit year January 1, 2009 through December 31, 2009. OLMS discovered during the Organizational Interview that occasional one-time renters receive their originally signed contract back once the hall clean-up requirements have been met. Therefore, no copies of the one-time rental agreements are on file. In addition, no contracts are on file with the tenants who either rent the union hall or office space on a monthly basis.

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.

### 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 712 for the fiscal year ended December 31, 2009, was deficient in that:

#### Disposal of Property

Item 13: (During the reporting period did your organization 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 t-shirts and hats during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

I am not requiring that Local 712 file an amended LM-3 report for 2009 to correct the deficient items, but Local 712 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issues

#### 1. Cash Payments

The audit revealed that Local 712 made a cash payment for services provided during the audit period. For example, a cash payment of \$150.00 was made in December 2009 to Jim Falke for his monthly salary for maintenance work at the union hall. Section 40 of the Constitution of the United Brotherhood of Carpenters and Joiners of America state that all disbursements are to be made by check. As a measure to ensure strong internal controls of union funds, OLMS recommends that all disbursements be made by check.

#### 2. Check Signatures

The audit revealed that on at least twenty occasions Local 712's disbursement checks did not have proper signatures. Some of Local 712's checks were either disbursed with only one of the required signatures, or had both required signatory names signed by the same person. One check had no signatures at all.

The two-signature requirement is an effective internal control of union funds because its purpose is to attest to the authenticity of a completed document. OLMS recommends that Local 712 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Carpenters Local 712 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. Thomas Edwards, Treasurer