

U.S. Department of Labor

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Office of Labor-Management Standards
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May 15, 2008

Mr. Terry Rhodes, Treasurer
Carpenters Ind.
Local 714
PO Box 714
Olathe, KS 66051-0714

LM File Number **034-119**

Case Number: [REDACTED]

Dear Mr. Rhodes:

This office has recently completed an audit of Carpenters Local 714 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, Harold Eastland, Al Abts, Mike Petty, and Richard Eason on May 1, 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 714's 2007 records revealed the following recordkeeping violations:

1. Reimbursed Auto Expenses

Officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them during 2007. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The records 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.

2. Lack of Salary Authorization

Local 714 did not maintain current 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. Although Sections 19-23 of your bylaws authorize officer salaries, the amounts authorized are not what is currently paid to officers. 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.

3. Information not Recorded in Meeting Minutes

Section 24 of your local bylaws requires that all bills must be approved by the local membership at meetings. However, the minutes of the meeting do not contain consistent references to those issues. Beginning in January 2007, the local no longer recorded in their minutes if the local approved the bills at the meetings. Minutes of all membership must report any disbursement authorizations made at those meetings.

4. Failure to Properly Record Receipts

Local 714 did not record in its receipts records information to adequately identify some employer dues check-off checks and some checks and cash received for rental of the hall and damage deposits. 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. 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-3. 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. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them. This also includes any cash taken in by the local, including hall rental deposits that are later returned to the renter.

Based on your assurance that Local 714 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-3) filed by Local 714 for fiscal year ending June 30, 2007, was deficient in the following areas:

1. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the correct cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

2. Cash Reporting

Cash receipts and disbursements for hall rental deposits must be reported on the LM-3 report in Statement B even if the deposits are later returned to the renter.

3. Receipts

The amount given in Item 44 for Total Receipts was not accurately calculated. Please note, figures reported on the LM-3 should be determined on a cash basis and not by the accrual method. After speaking with your accountant, Ken Tornquist, there may be a discrepancy as to when a May dues check-off check was received by Local 714 and should be accounted for in the union's books.

Local 714 must file an amended Form LM-3 for fiscal year ending June 30,2007 to correct the deficient items discussed above. Reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than June 6,2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to Carpenters Local 714 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: Harold Eastland, Financial Secretary