



May 31, 2016

Mr. William Galloway, Financial Secretary Treasurer
Carpenters Local 74-L
4979 Indiana Avenue, Suite 211
Lisle, IL 60532

Case Number: 310-6007358 [REDACTED]
LM Number: 019049

Dear Mr. Galloway:

This office has recently completed an audit of Carpenters Local 74-L 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 [REDACTED], and Certified Public Accountant Victor Ancich on May 26, 2016, 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 74-L's records for fiscal year ended June 30, 2015, revealed the following recordkeeping violations:

1. Debit Card Expenses

Local 74-L did not retain adequate documentation for debit card expenses incurred by union officers and employees totaling at least \$400. For example, you and other union

officials charged meals, office supplies, postage, and parking to the union-issued debit cards, but the only supporting documentation retained was the bank statement. Bank statements alone are not sufficient to fulfill the recordkeeping requirement.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. For debit cards, original receipts include itemized receipts for each debit card charge, including invoices, transportation costs, and itemized meal receipts. During the exit interview, I provided you with an OLMS Compliance Tip regarding union debit/credit card policies, which further explains the recordkeeping requirements and provides internal control recommendations. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

Local 74-L's records of meal expenses did not always include written explanations of union business conducted or the full names and titles of the persons incurring the restaurant charges, totaling at least \$1,500. The check stub generated by the accounting software would sometimes list the first names of those present at the meal. However, most of the meal expense claims submitted by you failed to include the union business conducted or the last names and/or titles of the persons incurring the restaurant charges. 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. Lack of Salary Authorization

Officers of Local 74-L received salaries totaling at least \$27,000 during the audit period. However, Local 74-L 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.

4. Employee Payroll Records

Local 74-L did not maintain records to verify that the salary reported in Item 46 (To Employees) of the LM-3 was the authorized amount, and therefore correctly reported. Local 74-L advised that [REDACTED] is a part-time employee of the union, and is paid an hourly rate for hours worked. During 2015, Local 74-L disbursed wages to [REDACTED] totaling at least \$35,000 but did not retain adequate documentation for those payments. In the case of salary payments to [REDACTED], records must be maintained that identify each date wages were incurred, the number of hours worked on each date and the applicable rate of pay.

Based on your assurance that Local 74-L 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 74-L for the fiscal year ended June 30, 2015, was deficient in the following areas:

1. Disbursements to Officers

Local 74-L did not include some reimbursements to you totaling at least \$300 in the amounts reported Item 24 (All Officers and Disbursements to Officers). For example, the general ledger and bank statements show that you were directly disbursed \$1,436.54 for meals and other reimbursed expenses. The bank statements and meal receipts show that you incurred \$796.84 in meal expenses with the union debit card. However, only \$1,916 was reported in Column E (Allowances and Other Disbursements). It appears these payments were erroneously reported elsewhere on the report.

The union must report most direct disbursements to Local 74-L officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Dues (Item 38)

Local 74-L failed to report at least \$14,050.33 in Item 38 (Dues). Local 74's members' working dues are collected by the Chicago Regional Council of Carpenters and remitted to Local 74-L quarterly. All dues received by your labor organization directly from member and dues transmitted to your organization by a parent body or other affiliate must be reported in Item 38. It appears the dues receipts were erroneously reported in Item 43 (Other Receipts).

3. Statement B (Receipts and Disbursements)

Local 74-L misreported its total receipts and total disbursements by at least \$4,000. Local 74-L's general ledger shows \$121,355 was received during 2015. However, the amount reported in Item 44 (Total Receipts) is \$125,674. In addition, the general ledger shows

\$117,613 was disbursed during 2015, but the amount reported in Item 55 (Total Disbursements) is \$122,054. You advised that the difference was because the union erroneously reported fund transfers as receipts and disbursements on the LM-3.

4. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 74-L amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year. Local 74-L has now filed a copy of its constitution and bylaws.

I am not requiring that Local 74-L file an amended LM report for 2015 to correct the deficient items, but Local 74-L has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Use of Signature Stamp

During the audit, you advised that it is Local 74's practice to occasionally use the signature stamp of President Alberto Jotautas between membership meetings. Mr. Jotautas is contacted regarding the disbursement, and approves the use of his signature stamp. 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. However, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 74-L review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Carpenters Local 74-L 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,

[REDACTED]
Investigator

cc: Mr. Alberto Jotautas, President
Mr. Victor Ancich, Jr., Certified Public Accountant (via email)