U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Baltimore Resident Office
103 South Gay Street, Suite 102
Baltimore, MD 21202
(410) 244-7157 Fax: (410) 244-5248

March 15, 2007

Mr. Gus Lester, Financial-Secretary
International Brotherhood of Carpenters and Joiners (Carpenters) Local 101
801 West Patapsco Avenue
Baltimore, MD 21230

Re: Case Number: [redacted]

Dear Mr. Lester:

This office has recently completed an audit of Carpenters Local 101 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 Bookkeeper Flora Hucht and you on March 13, 2007, 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 adequate records be maintained for at least 5 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, and source of all money received by the union must be recorded in at least one union record. Bank records and canceled checks must also be retained for all accounts.

The audit of Local 101's fiscal year ending June 30, 2006 records revealed the following recordkeeping violations:

1. Officer Expenses

   Union officers failed to maintain adequate documentation for expenses related to travel to the International Convention. Receipts must be maintained for all expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded.

2. Investments

   Local 101 failed to retain statements and other documentation for an investment account at Merrill Lynch. Statements and other documentation must be maintained for all investment accounts held in the union's name.

3. Receipts

   Local 101 failed to keep a record of MARC expense checks cashed from the local's cash receipts. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date the money was received, the identity of the source of the money, and the individual amount received from each source.

As agreed, provided that Local 101 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP 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-2) filed by Local 101 for fiscal year ending June 30, 2006, was deficient in the following areas:

1. Investments and U.S. Treasury Securities

Local 101 failed to properly report the following information on its LM-2 report:

- The sale of local investments held at Merrill Lynch was not correctly reported in Item 43 (Sale of Investments and Fixed Assets).

- Assets, including U.S. Treasury Securities, were recorded at their actual value. Information on the original cost of the U.S. Treasury Securities was not noted in Item 69 (Additional Information).

- The local reclassified assets from investments to U.S. Treasury Securities. This information was not recorded in Item 69.

It also appears that other information on the local's LM-2 report concerning investments and U.S. Treasury Securities was incorrectly reported. Please refer to the LM-2 instructions for details on how to correctly report these items.

2. Cashing MARC checks

The audit revealed that Local 101 did not properly report receipts received from cashing MARC expense checks for local officers. These receipts should be reported in Statement B, Item 48 (Other Receipts) on the LM-2 report. The local also failed to properly report disbursements resulting from cashing MARC expense checks in Schedule 11 (All Officers and Disbursements to Officers), Column G (Other Disbursements).

3. LM-2 Schedule 11 & 12 (All Officers and Disbursements to Officers/Disbursements to Employees)

Local 101 failed to include reimbursements to officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). Such payments appear to have been erroneously reported in Schedules 15 through 19.

Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 11 and 12 (Disbursements for Official Business). In addition, indirect

disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 11 and 12. However, indirect disbursements for business expenses incurred for transportation by public carrier (such as an airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11 and 12.

4. LM-2 Schedule 11 & 12 (All Officers and Disbursements to Officers/Disbursements to Employees)

   On August 25, 1986, the Local 101 membership authorized the local to pay the travel costs incurred by the spouses of the local's delegates to the International Convention. Local 101 failed to report disbursements for the travel expenses of the delegates' spouses in Schedule 11 (All Officers and Disbursements to Officers), next to the name of the officer whose spouse traveled.

5. LM-2 Schedule 11 & 12 (All Officers and Disbursements to Officers/Disbursements to Employees)

   Local 101 failed to report lost-time payments made to a local officer. These payments should be reported in Column D (Gross Salary Disbursements) of Schedule 11 (All Officers and Disbursements to Officers), next to the name of the officer that received the lost-time.

Local 101 must file an amended LM report for fiscal year ending June 30, 2006, to correct the deficient items discussed above. I provided you with a blank form and instructions, and discussed with you the availability of the reporting forms and instructions on the OLMS website (www.olms.dol.gov). The amended LM report should be submitted to this office at the above address as soon as possible, but not later than April 20, 2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Use of Signature Stamps

   The past practice of Local 101 requires three signatures on all union checks. However, the audit revealed that only one signature on the local's checks was an original signature. A signature stamp was used for the two other officers. The second 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 other signatures does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the countersignature requirement. I recommend that Local 101 review these procedures to improve internal control of union funds.

2. Improper Reimbursement to an Officer

   Review of the union's disbursement records concerning payments to officers revealed that a Local 101 officer received an improper reimbursement. Financial-Secretary Gus Lester was reimbursed for parking at BWI airport for his attendance at the International Convention. The audit revealed that Financial-Secretary Lester took a two day vacation following the convention. However, his reimbursement for parking included these additional two days. After being notified of the discrepancy, Financial-Secretary Lester reimbursed the union $63. Since the union was made whole, no further action will be taken regarding this matter. However, in the future, I strongly recommend that expense reports and receipts are carefully reviewed before officers are reimbursed for union expenses.

3. Spousal Travel Policy

   On August 25, 1986, the local voted to adopt, as policy, the practice of paying for the travel costs of local delegates' spouses to attend the International Convention. Since the policy has remained unchanged for more than twenty years, I strongly recommend that the local review this policy with the membership and make it more detailed as to the exact kind expenses the local will pay.

I want to extend my personal appreciation to Local 101 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: Flora Hucht, Bookkeeper