U.S. Department of Labor

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LM File Number 042-590
Case Number: [redacted]

Mr. Steven Vanalstine, President
Carpenters Ind. Local 1847
2711 Stillwater Road
Maplewood, MN 55119

Dear Mr. Vanalstine:

This office has recently completed an audit of Carpenters Local 1847 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 Financial Secretary Craig Comer and you on May 30, 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 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 1847's records for the fiscal year ending June 30, 2006 revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

   Local 1847 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers. For example, there were no receipts for credit card charges totaling at least $7,000. These charges included airfare, hotel, and meal expenses for officer and employee attendance at conventions during 2005 and 2006. The trips are mentioned in the meeting minutes. In addition, Local 1847 did not require anyone to submit receipts for expense reimbursements.

   As previously 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. Lost Wages

   Local 1847 did not retain adequate documentation for lost wage reimbursement payments to officers and employees totaling at least $2,700. Local 1847 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 audit found that Local 1847 did not keep any form of documentation other than the approval of payments in meeting minutes.

   After the exit interview, I provided a sample of an expense voucher Local 1847 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.

3. Disposition of Property

Local 1847 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The value of any union property on hand at the beginning and end of each year must be reported in Item 30 (Other Assets) of the LM-3, and Local 1847 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 date and amount received from each sale of union hats, jackets and other items must be recorded in at least one record.

4. Failure to Record Receipts

Local 1847 records the dues money it receives in a receipts journal and on duplicate receipts. However, Local 1847 did not record in its receipts records checks received from their intermediate body totaling at least $25,000. The check stubs from the payments were retained. 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 proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1847's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to $100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to $100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 LM-3 filed by Local 1847 for fiscal year ending June 30, 2006, was deficient in the following areas:

1. Acquire/Dispose 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 Local 1847 gave away sweatshirts and other apparel during the year. Prizes were also given away at the union's picnic, golf outing, and the ice fishing contest. Local 1847 did not keep records of what was given away. The type and value of any property received or given away must be described in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. Every recipient of such giveaways need not be identified by name. Recipients can be identified by broad categories if appropriate such as "members" or "new retirees." In addition, the cost, book value, and trade-in allowance for assets traded in must be reported.

2. Rates of Dues and Fees

Item 23 (What are your organization's rate of dues and fees?) should have included the amount remitted to Local 1847 from the regional council based on Local 1847's total membership. Item 23(a) (Regular Dues/Fees) requires unions to enter the regular dues or fees or other periodic payments which a member must pay to be in good standing in your organization and enter the calendar basis for the payment (per month, per year, etc.) If your organization requires members to pay "working" dues as part of regular dues, also report the amount or percentage of "working" dues and enter the basis for the payment (per hour, per month, etc.). Include only the dues or fees of regular members and not dues or fees of members with special rates, such as apprentices, retirees, or unemployed members.

3. Disbursements to Officers

Local 1847 did not include some reimbursements to officers totaling at least $3,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears some of these payments were erroneously reported in Item 48 and Item 51.

Local 1847 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). All persons who held office during the year, regardless of whether they received any payments from Local 1847 must be reported in Item 24.

Local 1847 must report most direct disbursements to 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).

4. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to Local 1847's books. Local 1847 does not reconcile any of its bank accounts 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.

5. Fixed Assets

Local 1847 does not keep an inventory of office equipment and does not report the value of the equipment in Item 29 (Fixed Assets). The book value (cost less depreciation) at the start and end of the reporting period of all fixed assets, such as land, buildings, automobiles, and office furniture and equipment owned by your organization must be entered on Item 29.

6. Cash Receipts

The amount listed in Item 39 (Per Capita Tax) is incorrect. The instructions for Item 39 require that you report the total per capita tax received by your organization only if your organization is an intermediate or parent body; otherwise, enter "0" in Item 39.

The amount listed in Item 40 (Fees, Fines, Assessments, and Work Permits) is incorrect. Local 1847 had receipts from initiation fees assessed to new members during the reporting period.

I am not requiring that Local 1847 file an amended LM report for 2006 to correct the deficient items, but Local 1847 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Carpenters Local 1847 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: Craig Comer, Financial Secretary
Richard Dushaw, Recording Secretary