

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Milwaukee District Office
310 West Wisconsin Avenue
Room 1160
Milwaukee, WI 53203
(414)297-1501 Fax: (414)297-1685



June 22, 2007

LM File Number 518-166
Case Number: [REDACTED]

Mr. Thomas Warosh, President
Carpenters IND Local 310
2022 Saemann Ave.
Sheboygan, WI 53081

Dear Mr. Warosh:

This office has recently completed an audit of Carpenters Local 310 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 Treasurer Ed Schlosser, Vice President Gerald Yarie, and you

on June 14, 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 310's 2005 and 2006 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and Expense Reimbursements to Officers

Local 310 did not retain adequate documentation for disbursements totaling at least \$3,800.00. For example, supporting documentation was not retained for a \$3,417.71 disbursement on May 4, 2005 to Advan Advertising Promotions for union jackets. Local 310 also did not retain adequate documentation for reimbursed expenses incurred by Treasurer Schlosser, Vice President Yarie, and Trustee John Nitzche totaling at least \$1,446.00. For example, supporting documentation was not retained for a \$300 reimbursement to Trustee Nitzche to purchase gifts for the children that attended the union's Christmas party. And Local 310 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$127. Local 310 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. 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 Labor Organization Annual Report (Form LM-3), are responsible for properly maintaining union records.

Treasurer Schlosser was reimbursed for business use of his personal vehicle and did not retain adequate documentation to support payments to him totaling at least \$622. Local 310 must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record 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.

Local 310 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, the business purpose and names of people present were not recorded on a meal receipt submitted for reimbursement by Conductor Dan Westcott on January 6, 2006. 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.

2. Lack of Salary Authorization

Local 310 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. The meeting minutes from the membership meeting on May 5, 1999 revealed that officers' salaries were authorized to be increased by the membership, but Local 310 failed to record how much the salaries were authorized to be increased or the new salary amounts in the meeting minutes. Local 310 must keep a record, such as meeting minutes, to show the current salaries authorized by the entity or individual in the union with the authority to establish salaries, which in the case of Local 310 appears to be the membership.

3. Failure to Record the Source of Receipts and Receipt Dates

Local 310 did not record in its receipts records the date or the source for some dues checks from the Northern Wisconsin Regional Council of Carpenters and other receipts totaling at least \$1,500. For example, the date and the source of a \$1,320 banquet deposit was not recorded in Local 310's receipts journal.

In addition, entries in QuickBooks and Local 310's receipts journal reflect the date the union deposited money, but not the date money was received. 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 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 on the LM-3 for a different year than the year it actually received them.

4. Failure to Retain Records

Local 310 did not retain bank statements for Local 310's scholarship fund for July 2004 through August 2005 and did not retain all checks voided during the audit year. As a general rule, all types of records created or used in the normal course of doing union business must be maintained by the union for five years.

Based on your assurance that Local 310 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 report filed by Local 310 for fiscal year ending June 30, 2006, was deficient in the following areas:

1. Cash Balance at the Start of the Reporting Period

The beginning cash balance was not properly reported in Item 25(a) (Cash) on the LM report. This amount should include the total of all cash accounts and cash on hand, including not only checking accounts, but savings accounts, certificates of deposits, and petty cash balances. It appears that some of the beginning balances for the union's accounts were included as receipts in Statement B.

Local 310 filed an amended LM report with OLMS during the audit which corrected this error. Therefore, OLMS will take no further enforcement action regarding this issue.

2. Loan to Officers

Item 18 (Loans) should have been answered "Yes" because Local 310 issued a \$500 loan to Vice President Gerald Yaire for the organizing committee on April 5, 2006. During the exit interview, you advised that Vice President Yaire will has a constant \$500 outstanding loan that he will use for expenses during the duration of his term as the organizing committee's co-chair. Vice President Yaire must submit vouchers and receipts to Local 310 for any purchases made, which then returns the balance of his loan back to \$500.

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The \$500 loan to Vice President Yaire was erroneously reported in Item 24 (All Officers and Disbursements to Officers) Column E (Allowances and Other Disbursements) on the LM report. The loan must be reported in Item 53 (Loans Made) and Item 26 (Loans Receivable). In addition, Local 310 must report in Item 56 (Additional Information) the name of each individual, the amount each individual owed at the end of the reporting period, and the amount loaned to each individual during the reporting period. Also report in Item 56 the purpose, terms for repayment, and any security for each loan.

I am not requiring that Local 310 file an amended LM report for 2006 to correct the deficient items, but Local 310 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 310 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: Edward Schlosser, treasurer
Gerald Yarie, vice president