



May 1, 2012

Mr. Larry Pelot, President  
Carpenters IND Local 1594

Case Number: [REDACTED]  
LM Number: 001710

Dear Mr. Pelot:

This office has recently completed an audit of Carpenters IND Local 1594 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 and Financial Secretary Treasurer Wayne Christiansen on April 24, 2012, 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 1594's 2011 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Local 1594 recorded its receipts in QuickBooks financial software. No other records of union receipts are retained. Entries in QuickBooks reflect the date that money was

deposited but not the date money was received. Receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-3). The LM-3 instructions for Statement B state that receipts must be recorded when money is actually received, and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received. Local 1594 must take steps to ensure that the dates of all receipts are properly recorded in union records.

## 2. Lack of Salary Authorization

Local 1594 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 were therefore correctly reported. During the audit year, officers received salaries of between \$225 and \$425 per month. During the audit, you advised that these salaries had been in place since at least 2004 and were authorized at a membership meeting; however, you were unable to locate meeting minutes or other documentation authorizing the current salary amounts.

Local 1594 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries.

## 3. Debit Card Expenses

Adequate documentation was not retained for debit card expenses incurred by union officers totaling at least \$1,700. For example, a charge of \$428.71 was incurred on Local 1594's debit card (assigned to you and Mr. Christiansen) at Godfather's Pizza on June 23, 2011. Although the memo in the union's QuickBooks ledger indicates that the expense was for "pizza and pop for 2<sup>nd</sup> shift," no original supporting documentation was retained to support the expense, and the explanation of the expense is insufficient because it does not indicate the union business conducted that required the expense be incurred.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officer, who are required to sign your union's LM report, are responsible for properly maintaining union records.

## 4. Asset Records

During the audit, Mr. Christiansen advised that Local 1594 routinely purchases watches given away to newly retired members. However, he also advised that the union did not maintain records that identified the number of watches that were given away during the year or the number of watches that were on hand at the beginning or end of the audit

year. Union records indicate that the union purchased items on June 23, 2011 and Mr. Christiansen stated that about ten watches were on hand at the end of the year.

The LMRDA requires that records be maintained on such matters that must be reported on the LM report, including records that can be used to verify the amount of other assets reported by the union in Item 30 (Other Assets) and information required to be provided in Item 56 (Additional Information) regarding any goods or property acquired or disposed of in a manner other than by purchase or sale. In the case of watches and similar items given away to members, the recordkeeping requirement can be satisfied by maintaining an inventory or similar record that identifies the items purchased, sold, and given away, and the approximate value of each.

Based on your assurance that Local 1594 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 violations 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 1594 for the fiscal year ended June 30, 2011, 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 1594 gave away watches valued at approximately \$100 each to newly retired members during the audit year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

2. Other Assets

Local 1594 disbursed \$917.86 to Wickersham Jewelry for ten watches during the year. Although no records were retained to determine exactly how many watches were on hand at the beginning or end of the audit year, Mr. Christiansen advised that he estimates that Local 1594 had approximately ten watches on hand at the end of the year, totaling nearly \$1,000 in value. Your union's accountant, [REDACTED] (who prepared Local 1594's LM-3 report) confirmed that the value of the watches was not included in the amounts reported in Item 30(a) and 30(b) (Other Assets at the Beginning and End of the Reporting Period).

Local 1594 must include the value of its inventory of watches and other similar items on hand at the beginning and end of the year in the amount of other assets reported in Items 30(a) and 30(b).

I am not requiring that Local 1594 file an amended LM report for 2011 to correct the deficient items, but Local 1594 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issues

##### 1. Lost Wage Policy

You advised at the opening interview that Local 1594 compensates officers and employees for any wages lost at their employer while they are conducting union business. You further advised that the local pays wages at an hourly rate that is consistent with the rate the officer or employee would have received at their employer, including overtime rates. During the exit interview, you also advised that in addition to the lost wages, officers and employees are also entitled to receive additional pay equivalent to one half of one percent of the total lost wages incurred to compensate them for lost vacation pay. Local 1594 compensates officers and employees with this additional pay because the vacation structure at Weather Shields Company is such that the vacation pay for a calendar year is based on the wages earned in the previous year as reported on the IRS Form W-2. You indicated that lost wages adversely affect the vacation pay for the following year, so Local 1594 compensates its staff with additional pay in the current year.

The audit revealed that this is an unwritten policy that the local has been operating under for many years. OLMS recommends that your union adopt written guidelines for the payment or reimbursement of lost wages and lost vacation pay as such policies can help ensure effective control over union finances.

##### 2. Debit Card Policy

You advised that both you and Mr. Christiansen have a union debit card assigned to you that is associated with Local 1594's general fund checking account at River Valley State Bank. The audit found that Local 1594 has no written policy regarding the use of the union's debit card. To ensure compliance with the LMRDA and safeguard union assets, OLMS recommends that Local 1594 establish a clear written policy or procedure for debit card use. The policy should include as much detail as possible, including the identification of authorized users, authorized and prohibited uses of the credit/debit card, limitations on expenditure amounts, and documentation requirements. Please refer to the attached OLMS Compliance Tip Publication "*Union Credit Card Policy*" for additional information regarding such policies.

I want to extend my personal appreciation to Carpenters Local 1594 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: Mr. Wayne Christiansen, Financial Secretary Treasurer  
Mr. Brian Buchacek, Trustee