



January 14, 2014

Mr. Dean Passe, President
Carpenters Local 930
224 35th Avenue North
St. Cloud, MN 56303-4040

Case Number: 320-3308907 [REDACTED]
LM Number: 041308

Dear Mr. Passe:

This office has recently completed an audit of Carpenters Local 930 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, Financial Secretary Ken Hulig, and Trustees Tom Becker, Darrel Ashfeld, and Richard Skiba Jr. on January 7, 2014, 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 930's 2013 records revealed the following recordkeeping violation:

Reimbursed Auto Expenses

Officers and delegates to the North Central States Regional Council of Carpenters (NCSRCC) who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$700 during 2013. Local 930 requires mileage to be documented on a voucher; however, the documentation retained by Local 930 failed to identify some dates of travel as well as the location officers and delegates traveled from.

Local 930 must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The records 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.

Based on your assurance that Local 930 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

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 930 for the fiscal year ended June 30, 2013, was deficient in the following areas:

1. Disbursements to Officers

Local 930 erroneously reported salary payments to officers of more than \$4,000 in Column E (Allowances and Other Disbursements) of Item 24 (All Officers and Disbursements to Officers). During the audit, you advised the monthly and quarterly amounts paid to officers were compensation for their duties as officers; therefore these payments must be reported as salary in Column D (Gross Salary) of Item 24. Furthermore, Local 930 failed to report a reimbursement payment of \$4,807 (check # [REDACTED]) to Secretary Tim Blaske in Item 24, Column E.

Most direct disbursements to Local 930 officers and some indirect disbursements made on behalf of its officers must be reported 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. Apprenticeship and Training Funds

Local 930 erroneously included apprenticeship and training funds totaling more than \$3,250 (money market and checking account balances) in the amounts reported in Item 25(a) (Cash at the start of the reporting period) as well as an additional \$14,815.78 (certificate of deposit) in the amounts reported in Item 28(a) (Investments at the start of the reporting period). The audit revealed that the St. Cloud Carpenters and Joiners Apprenticeship Fund was established well over ten years ago and was a jointly managed fund with trustees from employers and the labor organization on its executive board. CPA Allen Habben confirmed that he included the apprenticeship funds noted above in Statement A (Assets and Liabilities) of the LM-3 Report for 2013 (and previous years). Although the existence of such a fund is required to be identified in Item 11 (Trust or Funds), balances of such funds are not considered to be assets of the union and should not be included on Local 930's LM-3 report.

3. Certificates of Deposit Reported As Investments

Local 930 improperly included the value of several of its certificates of deposit as investments in Statement A (Assets and Liabilities). CPA Habben confirmed all certificates of deposit held by Local 930 at the beginning and end of the audit year were reported as investments in Item 28 (a) and 28(b). For LM reporting purposes, certificates of deposit, regardless of the term of the certificate, are required to be reported as cash as provided for in the LM-3 Reporting Instructions. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, these transactions should not be reported as receipts or disbursements.

4. UBS Financial Investment Balance Incorrectly Reported

Local 930 failed to properly report the value of its investment account at UBS Financial. CPA Habben stated that he included the book value of the investment in the amount reported in Item 28. However, records show that the book value (\$135,215.04) is higher than the fair market value (\$119,496.16). Page 11 of the LM-3 reporting instructions state investments are to be reported at a value that is the lower of the cost or market value. Therefore, the amount that should have been included in the amount reported in Item 28 fair market value as reflected on the union's account statements.

5. Acquire or 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 930 gave away jackets and shirts to members at membership meetings, gift cards to members who paid annual dues by February, and door prizes to members at the pin banquet, totaling more than \$5,500 in give-aways during the 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.”

6. Other Assets

Local 930 reported the value of its labor temple stock (\$2,850) as the total value of its other assets at the end of the reporting period in Item 30(b); however, Local 930 also had an inventory of apparel items on hand at the end of the reporting period but failed to include the value of those items in Item 30(b). Records maintained by Local 930 show that Local 930 had at least \$2,000 worth of apparel on hand at the end of the year. Apparel items are considered an other asset for LM-3 reporting purposes, and the value of the items on hand at the beginning and end of the year must be reported in Item 30.

Local 930 must file an amended Form LM-3 for the fiscal year ended June 30, 2013, to correct the deficient items discussed above. The amended Form LM-3 should be submitted either electronically using Electronic Forms Systems (EFS), or manually to this office at the above address, as soon as possible, but not later than **February 4, 2014**. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Lack of Authorization for Expense Allowance and Pension Benefits

Local 930 did not maintain records to verify that the pension benefit payments paid on behalf of the financial secretary (\$3,421) and reported in Item 50 (Benefits) were the authorized amounts and therefore correctly reported. Similarly, Local 930 also failed to maintain records that verify the expense allowance payments to the financial secretary (\$240) were the authorized amounts and therefore were correctly reported in Item 24 (All Officers and Disbursements to Officers). During the exit interview, several trustees advised that the authorization for both types of payments could probably be found in meeting minutes that date more than ten or fifteen years ago; however, Local 930 was unable to find the authorization in the meeting minutes. Although OLMS does not recommend one best policy for authorizing benefit payments or allowances, it strongly recommends a written policy approved by the governing body to ensure compliance with the LMRDA and to safeguard union assets. This authorization should be documented in at least one union record.

2. Expense and Credit Card Policy

Local 930 does not have a clear policy regarding the types of travel expenses personnel may claim for reimbursement or that may be charged to union credit cards. OLMS recommends that each union: (1) adopt a clear policy for travel expenses; (2) establish what documentation is to be submitted for reimbursed and credit card expenses; and (3) establish a procedure that provides for approval of travel expense claims. Such policies and procedures

can help ensure effective internal controls and safeguard union assets. During the exit interview, I provided you with OLMS compliance tips related to expenses and credit cards.

I want to extend my personal appreciation to Carpenters Local 930 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. Ken Hulig, Financial Secretary
Mr. Darrel Ashfeld, Trustee
Mr. Richard Skiba, Trustee
Mr. Tom Becker, Trustee