

**U.S. Department of Labor**

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April 17, 2008

Mr. John Wisher, Treasurer  
Carpenters IND Local 126  
7427 Thompson Road  
Cincinnati, OH 45247

LM File Number: 517-825  
Case Number: [REDACTED]

Dear Mr. Wisher:

This office has recently completed an audit of Carpenters IND Local 126 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 by Investigator [REDACTED] during the exit interview with you, President David Meier, Vice President Cliff Pickens IV, Financial Secretary Eric Wink, Recording Secretary Tom Powers, VOC Chairman Tim Powers, Trustee Jason E. Wylie, Trustee Jeffrey Gressler, Warden Michelle Stallings and [REDACTED] on January 23, 2008, 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 126's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 126 did not retain adequate documentation to support reimbursed expenses incurred by President Meier, Recording Secretary Powers and you totaling at least \$6,500.00. For example, President Meier received fifteen reimbursed expense checks from two different checking accounts (primary checking and VOC checking). Of the fifteen checks President Meier received, only six had adequate documentation. Recording Secretary Powers received check [REDACTED] totaling \$646.95, but there was insufficient documentation to support the entire amount of this check. You received check [REDACTED] totaling \$774.31, but there was no documentation in the records to support this check.

Conductor Tim Crusham purchases refreshments for the members during the general membership meetings. Local 126 reimburses Crusham approximately \$210.00 every month for his expenses. However, the receipts Crusham provides to the union are inadequate. The receipts are not original and they do not provide the full cost of each item purchased.

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 LM report, are responsible for properly maintaining union records.

2. General Records

Local 126 failed to maintain records that support the general course of union business. For example, Local 126 was unable to provide OLMS with bank statements for their certificate of deposits (CDs).

Local 126 did not retain cancelled checks or check images for their VOC checking account within their records. These are necessary to accurately verify the union's disbursement records.

Local 126 did not maintain executive board meeting minutes with their records. Section 35(A), Duties of the recording secretary of local union, state, "The Recording Secretary shall keep the correct minutes of each meeting.... Minutes of meetings shall be safely preserved as a permanent record of the local union."

According to Section 206 of the LMRDA, records must be maintained on the matters required to be reported which will provide in sufficient detail the necessary basic information and data from which the documents filed can be verified, explained and checked for accuracy and completeness.

### 3. General Disbursements

Local 126 did not retain supporting documentation for purchases and donations made during the 2007 audit year. For example, Local 126 made a \$1,108.90 purchase from the United Brotherhood of Carpenters International Union, but an invoice or statement was not maintained. Local 126 made several donations throughout the audit year but no documentation to support these donations was found within the union's records. The local also purchased Cincinnati Reds baseball tickets, t-shirts, Shrine Circus tickets, bumper stickers, and pencils. Investigator Castillo did not find any supporting documentation for these purchases.

Supporting documentation should be maintained in the union records for all disbursements.

### 4. Meal Expenses

Local 126 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$329.00. The union 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.

Local 126 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, meal receipts for LaRosa's in Bridgetown and Willie's Sports Café, which correspond to disbursements from the VOC checking account, were not itemized and did not have written explanations for the purposes of the meals. 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.

5. Disposition of Property

Local 126 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. The union 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 union must record in at least one record the date and amount received from each sale of union hats, jackets and other items.

6. Receipt Dates not Recorded

Entries in Local 126's daybook reflect the date the union deposited money, but not the date money was received. Union 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 LM-2. The LM-2 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 for a different year than when it actually received them.

7. Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that the membership authorized you to transfer \$5,000.00 from the primary checking account and deposit the money into one of the local's CDs at the membership meeting. However, the meeting minutes did not contain any reference to the above disbursement. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

8. Lack of Salary Authorization

Local 126 did not maintain records to verify that the salaries reported in Schedule 11 (All Officers and Disbursements to Officers) was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 126'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 Form LM-2 filed by Local 126 for fiscal year ending June 30, 2007, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 15 LM-2 (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 the union gave away jackets and watches totaling more than \$6,000.00 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

## 2. Disbursements to Officers

Local 126 did not include reimbursements to officers totaling at least \$13,000.00 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedule 18 (General Overhead) item 5 (all other disbursements).

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

## 3. Sale of Supplies

Local 126 did not correctly report receipts from the sale of supplies or disbursements for supplies for resale. The audit revealed that during 2007, Local 126 disbursed at least \$4,600.00 for items that it re-sold to members and other Carpenter locals, collecting receipts totaling at least \$1,400.00. The LM-2

instructions require that the union report receipts from the sale of supplies in Item 39 (Sale of Supplies) and disbursements for supplies for resale in Item 59 (Supplies for Resale). In addition, it must report the value of any supplies for resale on hand at the beginning and end of the year in Item 28 and Schedule 7 (Other Assets).

4. Assessments

Local 126 did not correctly report the working assessment levied on the members in item 38 (Fees, Fines, Assessments, Work Permits). It appears that the local erroneously reported these receipts in item 36 (Dues and Agency Fees).

I am not requiring that Local 126 to file an amended LM report for 2007 to correct the deficient items, but Local 126 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Inventory of Fixed Assets

Local 126 did not maintain an inventory of its fixed assets during the 2007 audit year. An inventory should be kept to verify, support, and clarify the amounts reported in item 27 (Fixed Assets) of the LM-2. The union must report details of all fixed assets, such as land, buildings, automobiles, office furniture and equipment owned by your organization at the end of the reporting period. This includes assets that were expensed, fully depreciated, or carried on your organization's books at scrap value.

The inventory kept by the union should record a detailed description of what was purchased, the date of the purchase, the amount of the purchase and the depreciated value. The report should be kept with the union records.

2. Use of Signature Stamp

During the audit, you advised Investigator [REDACTED] that it is Local 126's practice for President Meier to sign all union checks with a signature stamp. The two 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 second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 126 review these procedures to improve internal control of union funds.

### 3. Signatories

During the audit, you advised Investigator [REDACTED] that you are the only signatory for the PCE and VOC checking accounts. The two 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, having one signatory for the PCE and VOC checking account does not attest to the authenticity of a completed check. OLMS recommends that Local 126 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Carpenters IND Local 126 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,

Lesta A. Chandler  
District Director