

**U.S. Department of Labor**

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August 24, 2009

Mr. Frank Benson, President  
Millwrights and Machinery Erectors  
Local 1102  
23401 Mound Road  
Warren, MI 48091

Re: Case Number [REDACTED]  
LM File Number: 040-006

Dear Mr. Benson:

This office has recently completed an audit of Carpenters Local 1102 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, Vice President Doug Abbott, Secretary Noreen Hayes, Attorney Christopher Legghio, and Accountant Alvin Friedman on June 25, 2009, 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 1102's 2008 records revealed the following recordkeeping violations:

## 1. Meal and Mileage Expenses

Local 1102's 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. 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.

The union 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.

## 2. Credit Card Expenses

Local 1102 did not retain adequate documentation for all credit card expenses incurred during the audit year.

Example: Business Agent Kelly Raleigh and Financial Secretary James Tharrett, incurred credit card charges totaling at least \$648.00. Credit card charges incurred by Kelly Raleigh for hotel room expenses at Bally's in Las Vegas from September 25-27, 2007 in the amount of \$184.21 and car rental expenses in the amount of \$271.39 did not have supporting hotel and car rental receipts or invoices. Credit card charges incurred by James Tharrett for hotel room expenses at Bally's in Las Vegas from September 25-27, 2007 in the amount of \$192.21 did not have a supporting hotel invoice.

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.

## 3. Lack of Salary and Allowance Authorization

Local 1102 did not maintain records to verify that the salaries and allowances reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 was the authorized amount and therefore was correctly reported.

During the audit year, officers received \$40 for attending each of the officers meetings and \$30 for regular meetings. The recording secretary received \$45 for attending each of the executive board meetings and \$35 for regular meetings. Section 24(c) of the Millwrights Local 1102 By-laws dated July 28, 1980 states that officers will receive an expense allowance of \$15 for each of the officers meeting and \$10 for each of the regular meetings with the exception of the Recording Secretary who will receive \$20 for officers

meetings and \$15 for regular meetings. The Bylaws states that these amounts can be changed from time to time at a special called meeting of the local.

During the audit year, Business Agents received a monthly expense allowance of \$800. Section 24 (B) of the Millwrights' Bylaws states that expenses for the Business Manager and Business Representatives shall cover an expense account, car allowance, mileage, and automobile insurance and the amounts for each shall be set at the meeting this document is ratified. The Bylaws also states these amounts can be changed from time to time at a special called meeting of the Local. There was no specific expense allowance amount established in the Bylaws.

The union must keep a record, such as meeting minutes, to show the current salaries or allowances authorized by the entity or individual in the union with the authority to establish salaries and allowances.

Authorization and approval of large and/or unusual disbursements and a full understanding of the level of wages, allowances, and expenses to which the union's officers and members are entitled should be recorded in the minutes of your membership or executive board meetings if they are not fully covered in the union's constitution and bylaws.

The recordkeeping requirement can be most easily satisfied with a descriptive bill, invoice, or receipt that identifies the vendor's name and address, the date and amount of the transaction, and the goods or services provided. If a receipt is not descriptive, you should note the missing information on the receipt. If a receipt is not provided by the vendor, then you must create a record containing the identifying information with a notation that original documentation was not provided.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements, in addition to, membership or executive board meeting minutes to document approval of disbursements. The president and financial secretary (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1102'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.

During the exit interview, you and Mr. Abbott agreed to discuss monthly meeting expense allowances for union officers and monthly expense allowances for business agents outlined above at Local 1102's next officer's meeting and regular meeting to obtain and document authorization of these disbursements and provide OLMS with a copy of the meeting minutes.

Based on your assurance that Local 1102 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

I want to extend my personal appreciation to Carpenters Local 1102 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 are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: James Tharrett, Financial Secretary