



August 31, 2018

Mr. Nikola Egedus, Financial Secretary
Carpenters Local 1027
4979 Indiana Avenue
Lisle, IL 60532-3818

Case Number: 310-6013051 [REDACTED]
LM Number: 516602

Dear Mr. Egedus:

This office has recently completed an audit of Carpenters Local 1027 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, CPA Victor Ancich, Jr., Local President James A. Cooper, and Attorney Travis J. Ketterman on August 10, 2018, 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 1027's 2017 records revealed the following recordkeeping violations:

Lack of Salary Authorization

Local 1027 did not maintain records to verify that the salaries 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. The union must keep a record, such

as meeting minutes or resolutions, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 1027 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-2 filed by Local 1027 for the fiscal year ended June 30, 2017 was deficient in that:

Statement B (Receipts & Disbursements)

Local 1027 under reported receipts and disbursements by \$4,525. During the audit year, Local 1027 received \$4,525 for member benefits and disbursed the same amount on behalf of member but erroneously omitted the amounts from the report. The purpose of Statement B (Receipts & Disbursements) is to report the flow of cash in and out of your organization during the reporting period. Since Statement B reports all cash flowing in and out of your organization, “netting” is not permitted. “Netting” is offsetting of receipts against disbursements and reporting on the balance (net) as either a receipt or disbursement. The amount received for benefits should have been reported in Item 43 (Other Receipts). The disbursements on behalf of members should have been reported in Item 54 (Other Disbursements).

Local 1027 must file an amended Form LM-2 for the fiscal year ended June 30, 2017 to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-2 must be filed no later than September 14, 2018. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Issues

Use of Signature Stamp

During the audit, you advised that it is Local 1027’s practice for Administrative Assistant Maria Mancilla to use signature stamps on union correspondence but occasionally on checks, with the officers’ prior knowledge and approval. Section 37 of the Constitution requires checks be signed by two or more officers. 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 1027 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to you, CPA Victor Ancich, Ms. Mancilla, President James Cooper, and Attorney Travis Ketterman 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,

[REDACTED]

Investigator

cc: Mr. James A. Cooper, President
Mr. Victor Ancich, Jr., CPA
Travis J. Ketterman, Attorney