



March 12, 2018

Mr. Matthew Cozzi, Financial Secretary Treasurer  
Carpenters Local 62  
821 Chicago Road  
Chicago Heights, IL 60411

Case Number: 310-6012328  
LM Number: 007367

Dear Mr. Cozzi:

This office has recently completed an audit of Carpenters Local 62 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 Certified Public Accountant Vic Ancich, Jr. on March 8, 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 Violation

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 62's records for fiscal year ended June 30, 2017, revealed the following recordkeeping violations:

#### Credit Card Expenses

Local 62 did not retain adequate documentation for credit card expenses incurred by you totaling at least \$1,100. For example, over \$400 was charged for tolls. You advised these tolls were for the automobile assigned to you by the Chicago Regional Council of Carpenters. Only the credit

card statement was retained. In addition, Local 62 incurred a car repair at Joe Rizza Ford, totaling at least \$400, but only the non-itemized credit card slip and credit card statement were retained. Credit card statements and/or non-itemized credit card slips alone are not sufficient to fulfill the recordkeeping requirement.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. For credit card expenses, original receipts include itemized receipts for each credit card charge, including invoices for transportation costs and itemized meal receipts. During the exit interview, I provided you with an OLMS Compliance Tip regarding union credit card policies, which further explains the recordkeeping requirements and provides internal control recommendations. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

Based on your assurance that Local 62 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 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 62 for the fiscal year ended June 30, 2017, was deficient in the following areas:

##### 1. Disbursements to Officers

Local 62 failed to correctly report some disbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers) totaling at least \$1,520. For example, the general ledger and expense voucher shows that Recording Secretary John Noonan was reimbursed \$520 for picnic expenses. However, nothing is reported in Column E (Allowances and Other Disbursements). As another example, a check was disbursed to "cash" for the November membership meeting where each member in attendance was given \$20 cash to offset the cost of a turkey. You cashed the check and disbursed the funds to individual members. Since you negotiated the check, the disbursement must be reported next to your name in Item 24. The LM-3 instructions require that you include in the amounts reported in Item 24 all salaries and other direct and indirect disbursements to officers. The instructions identify seven exceptions; however, checks to cash are not included in those exceptions and are considered direct disbursements to an officer for LM reporting purposes. It appears the payment to Mr. Noonan and the check to cash were erroneously reported elsewhere on the report.

Most direct disbursements to Local 62's 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. Investments

Local 62 failed to correctly report investments in Item 28 (Investments). The accountant's workpaper identified the cost of investments at the end of the fiscal year as \$112,306.82. The brokerage statement and accountant's workpaper identified the end of year market value of investments as \$105,860.29. Local 62 reported the cost on the LM-3. The LM-3 instructions require the union to report investments at book value, which is the lower of cost or market value.

I am not requiring that Local 62 file an amended LM report for fiscal year ended June 30, 2017, to correct the deficient items, but Local 62 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issues

#### 1. Signing Blank Checks

During the audit, you advised that President Daniel Chopp routinely pre-signs blank checks. 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 62 review these procedures to improve internal control of union funds.

#### 2. Cash Disbursements

During the audit, you advised that it's the long standing practice of Local 62 to disburse \$20 cash to each member in attendance at the November membership meeting to offset the cost of a Thanksgiving turkey. You advised that a union check is issued to cash; you cash the check, and disburse the cash to members. OLMS recommends that all disbursements be by check directly to the individual receiving the funds in order to ensure internal control over disbursements. In addition, a check made payable to "cash" or to the financial institution and cashed by an officer must be reported as a payment to that officer. Since you cashed the check, the funds are considered a direct disbursement to you for reporting purposes and must be included in the amount reported next to your name in Item 24, Column E (Allowances and Other Disbursements). In addition, the union must continue to maintain records that identify the names of the members receiving funds from the cashed check. OLMS recommends that Local 62 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Carpenters Local 62 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,

A large black rectangular redaction box covering the signature of the investigator.A smaller black rectangular redaction box covering the name of the investigator.

Investigator

cc: Mr. Daniel Chopp, President

Mr. Vic Ancich, Jr., Certified Public Accountant (via email)