

U.S. Department of Labor

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Office of Labor-Management Standards
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September 13, 2007

Mr. Charles Rinoldo, Financial Secretary/Business Manager
Carpenters Ind
Local 1163
3247 Vickery Road
Syracuse, NY 13212

LM File Number 056-131

Case Number: [REDACTED]

Dear Mr. Rinoldo:

This office has recently completed an audit of Carpenters/Millwrights Local 1163 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 Treasurer Joel VanSchaffel and you on September 12, 2007, 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 1163's 2006 - 2007 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 1163 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$3,757.00. For example, Airline tickets, on line purchases, parking, restaurant, hotel, and post office charges.

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.

2. Meal Expenses

Local 1163 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$655.00. 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 1163 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, Treasurer Joel VanScheffel incurred a charge of \$358.36 at Fishbones Rhythm Kitchen in Detroit, MI on September 18, 2006. 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.

3. Disposition of Property

Local 1163 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 28.

Based on your assurance that Local 1163 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-2 filed by Local 1163 for fiscal year ending June 30, 2006, was deficient in the following areas:

1. Bonding

Local 1163 incorrectly reported the maximum amount recoverable under the labor organization fidelity bond in Item 14. A review of the bond certificate dated April 23, 2005 revealed that the amount of indemnity is \$130,000; not \$50,000 as reported.

2. Supplies for Resale

Receipts from the sale of supplies (apparel and other union memorabilia) were erroneously reported in Item 48, Other Receipts and should have been reported in Item 39, Sale of Supplies.

Disbursement to vendors to purchase apparel and other union memorabilia for later sale by the local was erroneously reported in Item 53 and Schedule 18, General Overhead but should have been reported in Item 59, Supplies for Resale.

3. Disbursements to Officers and Employees (LM-2)

Local 1163 did not include some charges on union credit cards assigned to officers totaling at least \$17,180.00 in Schedule 11 (All Officers and Disbursements to Officers). It appears that the local erroneously reported these payments in Schedules 15 through 19.

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.

Local 1163 did not include lost time payments to officers in Schedule 11 (All Officers and Disbursements to Officers) or members in Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column D of Schedule 11 (Gross Salary Disbursements) disbursements to officers for reimbursement for lost time. In addition, the union must report on Schedule 12 (Totals Received By Employees Making Less Than \$10,000) the total amount of disbursements to members for reimbursement for lost time.

Local 1163 failed to properly report Deductions and Net Disbursements in Schedule 12 (Disbursements to Employees) and consequently in Schedule 19, Union Administration.

The union must show the deduction amount on Schedule 12 and carry the Net Disbursements over to the corresponding item in Schedule 15 through 19. Additionally, the deduction disbursements should be reported in the appropriate schedule as opposed to being lumped in as disbursements to officers or employees.

I am not requiring that Local 1163 file an amended LM report for fiscal year end June 30, 2006 to correct the deficient items, but Local 1163 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local 1163's officers and employees are currently bonded for \$130,000.00 but they must be bonded for at least \$164,000.00. Local 1163 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than September 26, 2007.

Other Issue

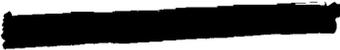
Signing Blank Checks

During the audit, you advised that Treasurer Joel Van Schaffel or you occasionally sign 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 1163 review these procedures to improve internal control of union funds.

Mr. Charles Rinoldo
September 13, 2007
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I want to extend my personal appreciation to Carpenters/Millwrights Local 1163 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: Joel Van Schaffel, Treasurer
Gary Thayer, Attorney