

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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September 12, 2007

Mr. Michael Malone, President
Carpenters IND Local 1302
171 Thames Street
Groton, CT 06430-3630

LM File Number: 019-721

Case Number: [REDACTED]

Dear Mr. Malone:

This office has recently completed an audit of Carpenters Local 1302 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 on September 7, 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.

The CAP disclosed recordkeeping and reporting violations.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information. In the case of receipts, the date,

amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all amounts.

The audit of Local 1302's 2006 records revealed the following recordkeeping violations:

1. Meal Expenses

A number of food receipts did not note the union business or number of people attending.

The union must maintain itemized receipts provided by restaurants to officers and employees. The receipts must note the number of members present for the meals and the union business.

2. Receipt Dates Not Recorded

Entries in Local 1302's General Ledger 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-3. The LM-3 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.

3. Other

Adequate documentation was not retained for some purchases of union supplies. Several Home Depot and postage receipts did not note the union purpose. A payment to Staples in April 2006 (\$37.19) had no corresponding bill.

The Financial Secretary maintains a small petty cash fund but does not keep a ledger showing the date/amount of funds received from the general checking for the petty cash fund nor the date/amount of cashed disbursed from the petty cash

fund. The Financial Secretary does keep receipts for his purchases (usually postage for union mailings).

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 LM-3 filed by Local 1302 for fiscal year 06-30-2006 was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (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 a union T-shirt as a door prize during their monthly membership meetings. The recipient of the T-shirt was noted in the union minutes.

The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property.

2. LM-3 Item 24 (All Officers and Disbursements to Officers)

Local 1302 failed to include some reimbursements to officers in Item 24 (All Officers and Disbursements to Officers) and included some Lost Time payments to union members in Item 24 that should have been reported in Item 46 (To Employees (less deductions)). The Local under reported Lost Time payments to one union member.

The Local reported salary and allowance payments to President Mike Malone of \$4,718. The audit revealed a total of 96 checks written to President Malone totaling \$5,281.33. The additional disbursements were possibly reported in either Item 48 (Office & Administrative Expense) or Item 54 (Other Disbursements).

Lost Time and other stipends to union members not officers were reported in Item 24. These payments totaling approximately \$12,829 should have been reported in Item 46 Disbursements to Employees (less deductions).

The Local reported disbursements to union member [REDACTED] as totaling \$160. A review of union records showed Michael Rourke received \$260 in payments for Lost Time and allowances for attending union meetings.

The union must report most direct disbursements to officers and some indirect disbursements made on behalf of its officers 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).

3. LM-3 Item 38 (Dues)

Union dues receipts were over reported. A review of the union's receipt records showed the dues received and deposited as \$89,889.28. The union reported dues receipts as \$91,021. The difference between the dues received and reported (\$1,132) should have been reported in Item 43 (Other Receipts). These receipts were from tax refunds, political contributions and T-shirt and hat sales.

4. LM-3 Item 51 (Contributions, Gifts & Grants)

Contributions, Gifts & Grants was under reported. The Local reported \$338. A review of the union's records revealed approximately \$1,508.75 in contributions and gifts. These contributions are possibly reported in Item 54 (Other).

I am not requiring Local 1302 to file an amended Form LM-3 for fiscal year 06/30/06 to correct the deficient items, but as agreed, Local 1302 will properly report the deficient items on all future reports filed with this agency.

I want to extend my personal appreciation to Carpenters Local 1302 for the cooperation

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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,

Mark Letizi
District Director

cc: Mr. Frank Tagliatela