

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Chicago District Office
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January 11, 2007

Mr. Daniel Smallwood
Financial Secretary/Treasurer
United Carpenters and Joiners of America, Local 742
1661 S. Taylorville Road
Decatur, IL 62521-3950

Dear Mr. Smallwood:

This office has recently completed an audit of United Brotherhood of Carpenters and Joiners of America (UBC) Local 742 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 [REDACTED] and you on November 30, 2006, 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

Record Keeping 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. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements. 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 accounts.

The audit of Local 742's records used to complete the union's LM-2 report for time period ending June 30, 2006, revealed the following recordkeeping violations:

1. Items Sold or Given Away

The Local failed to maintain an inventory of hats and t-shirts sold and given away. The union must maintain records to account for all union property. In the case of union hats, t-shirts, or other items either sold or handed out to members, the date and value is to be recorded in at least one record.

2. Receipts

The Local failed to retain adequate records to verify the date and amount received from members through 50/50 raffles and distributed on their behalf through the union's Food Distribution Fund.

3 Assets

The Local failed to update information of the bank accounts held in the Local's name. Bank records for three of the seven Local accounts were dated either 1997 or 2000. All bank accounts, including the four accounts updated in August 2006, indicate that only one signature is required to withdraw funds. Per the UBC Constitution, Section 37A: "All checks of a Local Union must be signed by two or more officers of the Local Union." Section 40B notes: "The Trustees shall see that the Recording Secretary of the Local Union notifies the bank(s) of the names of the officers duly authorized to sign checks for withdrawals on the account..."

As agreed, provided the Local submit to this office documentation that the union has resolved the above issues, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP 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-2) filed by Local 742 for fiscal year ending June 30, 2006, was deficient in the following areas:

1. Filing Local Constitution and Bylaws

The Local failed to file the union's constitution and bylaws with the LM report when it was revised in 1991 and in 2006. A copy of Local's bylaws has now been filed. As agreed, provided that all future revised versions are filed on a timely basis, no further enforcement action will be taken.

2. Bond Amount

Local 742 reported bond coverage of \$20,000. Item 14 requires reporting the maximum amount recoverable for a loss. The Local bond certificate letter indicates the union's maximum amount recoverable for loss is \$50,000, which is the amount to be reported.

3. Scheduled Next Election

The Local failed to accurately report the next regular election of general officers.

4. Assets

The Local failed to report total cash assets, which includes cash on hand and in deposit for all union bank accounts.

5. Receipts

- The Local failed to report the dues members pay through payroll deductions in addition to dues members pay directly to the Local.
- The Local failed to report within Statement B of the LM report receipts resulting from the sale of supplies, which includes items with the union's logo; receipts collected by members for distribution on their behalf; and receipts collected for rent.
- The Local erroneously reported in Other Receipts the cash balance of a bank account and receipts that should have been reported elsewhere, as noted above.
- The Local reported as a transfer of money, which occurred by check paid from the building fund and deposited into the general fund, as a receipt.

6. Disbursements

- The Local failed to report disbursements made to purchase supplies for resale.
- The Local failed to report total disbursements made on behalf of members. Funds collected on behalf of members that are not disbursed by the end of the reporting period are noted as liabilities in Statement A.
- The Local failed to report total union indirect disbursements made by the labor organization to and on behalf of union officers in Schedule 11.

Since Local 472 filed an amended LM report for fiscal year end 2006 to correct the deficient items, no additional enforcement action will be taken regarding these violations.

Other Issues

1. Frequency of Receipt Deposits

As a financial safeguard, I strongly recommend that the Local increase the frequency it deposits receipts into the union's respective bank accounts to minimize the amount of checks and cash kept in the union hall. It is further recommended that pending deposits be kept apart from petty cash.

2. Management of the Food Distribution Fund

I strongly recommend the administration of the Local's Food Distribution Fund maintain at least one internal record that contains the name, date, and amount paid to each union member from this fund, in addition to the check paid to the recipient. Also, consistent with the union's constitution as previously noted, to revise current disbursement practices so each check disbursing funds is signed by two authorized signatories.

I want to thank [REDACTED] and you for your cooperation and courtesy during this compliance audit. I strongly recommend that you make sure that this letter and the compliance assistance materials provided to you are passed on to your successor at whatever time you may leave office. If we can be of any assistance in the future, please do not hesitate to contact me or any other representative of our office.

Sincerely,

[REDACTED]
Sr. Investigator