

**U.S. Department of Labor**

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June 19, 2006

Mr. James Goldsmith, President  
Carpenters Local 314  
2923 Dolomite Springs Circle  
Blue Mounds, WI 53517

Re: Case Number

Dear Mr. Goldsmith:

This office has recently completed an audit of Carpenters Local 314 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 Scott Watson and Boyd Warren on June 16, 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.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, 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 recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a 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.

The following record keeping violations were revealed during the audit of Local 314's 2005 records:

1. Officer and Employee Expenses

Some union officers failed to retain adequate documentation for some reimbursed expenses. For instance, Financial Secretary Boyd Warren received two reimbursements for member gifts totaling \$2,212.11 for which no supporting information was retained. This information is required to be retained to verify, clarify, and support information concerning officer expenses that are required to be reported on the Labor Organization Annual Report (Form LM-2) filed with OLMS.

2. Disposition of Property

Local 314 failed to maintain an inventory or similar record to account for the union property (e.g., tools, decal stickers, jackets, etc) which was given away to the membership. During fiscal year 2005, Local 314 purchased items totaling at least \$39,102 to be eventually given away to members. Records must be retained which account for all union property. In the case of tools, jackets, or other items given away to members, records must be maintained to clarify and support information required to be reported by Local 314 in Statements A and B of the Labor Organization Annual Report (Form LM-2). The value of any tools, jackets, or similar property on hand at the beginning and end of the year should be reported in Item 28 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the Labor Organization Annual Report (Form LM-3) report with the identity of the recipient(s) or donor of such property.

As agreed, provided that Local 314 maintains adequate documentation for officer expenses and assets in the future, no additional enforcement action will be taken regarding this violation.

Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b) because the Form LM-2 Labor Organization Annual Report (LM-2) for fiscal year ending June 30, 2005 was deficient in the following areas:

1. Officers and Payments to Officers Not Listed

The names of some officers who held office during the year were not reported in Schedule 11 (All Officers and Disbursements to Officers) with the total amount of payments to or for them. Only six officer positions are identified in Schedule 11. The audit revealed that Local 314 has at least four other elected officers (vice president and three Trustees) who are not identified in Schedule 11. The names of all persons who held office during the year must be reported in Schedule 11 regardless of whether or not they received any payments from Local 314.

2. Payments to Officers

Local 314 failed to include some reimbursements to officers in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers). Local 314 did not report any reimbursed expenses to Vice President Randall Reitman or Trustees Robert Lechelt, James Bakken, and William Blank in Schedule 11. These four officers combined received at least \$4,755 in gross salary and \$995 in reimbursed expenses. Payments to officers are required to be reported in Schedules 11.

Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 11 and 12 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 11 and 12. Indirect disbursements for temporary lodging (room rent charges only) or transportation by public carrier necessary for conducting official business while the officer is in travel status away from his or her home and principal place of employment with the labor organization if payment is made by the labor organization directly to the provider or through a credit arrangement and these disbursements are reported in disbursement Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G of Schedules 11 and 12 (Other Disbursements).

3. Disposition of Property

Item 15 (Acquire any goods or property in any manner other than by purchase or dispose of any goods or property in any manner other than by sale) should have been answered "Yes" instead of "No," because Local 314 gave away tools, coats,

sporting event tickets, and gift certificates to the membership totaling over \$26,000 during the year. The type and value of any property received or given away must be identified in the additional information section of the LM-2 report with the identity of the recipient(s) or donor of such property.

4. Dues Income and Per Capita Payments

The amount of dues collected by Local 314 that is reported in Item 36 (Dues and Agency Fees) and disbursements for per capita taxes reported in Item 56 (Per Capita Tax) are incorrect. In the case of Local 314, dues are withheld from members' vacation accounts and remitted to the Northern Wisconsin Regional Council of Carpenters (NWRCC). The NWRCC retains certain amounts for per capita taxes and remits the remaining funds to Local 314. The amount reported by Local 314 in Item 36 appears to include the full amount remitted to the NWRCC rather than the amount actually received by Local 314 from the NWRCC. The amount reported by Local 314 in Item 56 appears to erroneously include amounts retained by the NWRCC for per capita taxes. The LM-2 instructions require that you report in Item 36 only those funds actually received by your organization and that you report in Item 56 only those funds actually disbursed by your organization for per capita taxes.

5. Dues Income and the Cash Method of Accounting

Local 314 failed to use the correct accounting method when completing its LM-2. The audit revealed that Local 314 received its share of dues through annual lump sum payments from the NWRCC for fiscal year 2005 and fiscal year 2006 during the 2005 reporting period. However, Local 314 only reported one payment in Item 36 (Dues and Agency Fees) on its LM-2 submitted for 2005. Form LM-2 must be prepared using the cash method of accounting. Under the cash method of accounting, receipts are recorded when money is actually received by your organization, and disbursements are recorded when money is actually paid out by your organization.

6. LM-2 Failure to Itemize Disbursement or Receipt

Local 314 failed to properly report two "major" transactions in Schedules 15 (Representational Activities) and Schedule 52 (Contributions, Gifts and Grants). A "major" transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or

more during the reporting period and which cannot properly be reported elsewhere in Statement B. Local 314 made three payments to Nelson Enterprises, Inc, which totaled \$10,039.94 for gifts to members. Additionally, four payments totaling \$7,022.34 were made to Union Labor News for subscriptions. Since these payments to each vendor aggregate to \$5,000 or more, an itemization page must be prepared for each vendor which specifically itemizes any transactions of \$5,000 or more and identifies the total disbursements for those transactions under \$5,000.

#### 7. Failure to File Bylaws

The CAP disclosed a violation of LMRDA section 201(a) which requires that unions submit a copy of their current constitution and bylaws with its LM report when bylaw changes are made. Carpenters Local 314 amended its constitution and bylaws in 2001, but a copy of the constitution and bylaws was not filed with Local 314's LM-2 report for that year. The last copy of the bylaws on file was dated 1960. Two copies of Local 314's constitution and bylaws have now been filed.

I am not requiring that the Carpenters Local 314 file an amended LM-2 report for 2005 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

#### Other Issues

During the audit, Treasurer Watson and Financial Secretary Warren advised that it is Local 314's practice for Mr. Watson to sign most union checks and to stamp the signature of Mr. Warren on union checks. Section 37A of the United Brotherhood of Carpenters International Constitution requires that "all checks of the Local Union must be signed by two or more officers." The second 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 by the primary signer of a signature stamp for the second signature does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the countersignature requirement. You may want to revise this aspect of your check disbursement procedures.

I want to extend my personal appreciation to Carpenters Local 314 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

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passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Scott Watson, Treasurer  
Boyd Warren, Financial Secretary  
LM: 007-999