

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Chicago District Office
230 South Dearborn Street
Room 774, Federal Office Building
Chicago, IL 60604
(312)596-7160 Fax: (312)596-7174



August 17, 2006

Mr. Zachary Ross, Financial Secretary
Carpenters, IND.
Local 790
1008 7th Avenue
Rock Falls, IL 61071

Re: Case Number: ~~XXXXXXXXXX~~

Dear Mr. Ross:

This office has recently completed an audit of Carpenters Local 790 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 Zachary Ross and Victor Ancich on June 5, 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 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 790's fiscal year end June 30, 2005 records revealed the following recordkeeping violations:

Disposition of Property

Local 790 failed to maintain an inventory of hats, jackets, and t-shirts which were purchased and either sold or given away. Records must be maintained that account for all union property. In the case of union hats, jackets, and t-shirts, the date, source, and amount received from every sale must be recorded in at least one union record.

Other

Adequate documentation was not retained for union member reimbursements in relation to conference travel. In addition, adequate documentation was not retained for Local 790's picnic catering expense. Further, adequate documentation was not retained in order to support a transaction that appeared on a union credit card; specifically, two hard hats were purchased on the internet and the local failed to retain supporting documentation for the transaction.

Conclusion/Recordkeeping Violations

As agreed, provided that Local 790 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

Failure to File Bylaws

The CAP disclosed a violation of LMRDA Section 201(a) which requires that a union submit a copy of its constitution and bylaws with its LM-1 report. Upon searching office files and contacting the OLMS National Office, it was revealed that Local 790 never filed a copy of their constitution and bylaws with OLMS.

A copy of Local 790's bylaws has now been filed.

Other Issues

The audit disclosed the following other issues:

No Authorization for Salaries and Allowances

During the audit, I advised you that authorization for the salary amounts paid to union employees and allowances paid to union officers could not be found in union records. I recommend that Local 790 documents the authorized salary and allowance amounts in its bylaws or record them in meeting minutes or some other internal document (following the discussion in the appropriate membership and/or executive board meeting.) When the authorized salary amounts have been recorded in union records, I would appreciate it if you would forward a copy of the record documenting the authorization to me at the above address.

Relationship Between Cash Receipts and Bank Deposits

As discussed during the exit interview, the audit revealed that Local 790 did not record the source of cash receipts in QuickBooks. Thereby, it was impossible to make the relationship between cash receipts and bank deposits perfectly clear and easily verifiable. I recommend that Local 790 either add the source of cash receipts to QuickBooks entries or print out Ultra system receipts and attach them to the corresponding deposit slip.

Use of Signature Stamp

During the audit, Zachary Ross and Michelle Mennie advised that Local 790 occasionally uses signature stamps when Treasurer Richard Long and/or Ross are not available to sign union checks. The countersignature 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. I recommend that Local 790 review these procedures to improve internal control of union funds.

Two Signatories on Checking Account

As discussed during the exit interview, the audit revealed that Local 790's Volunteer

Mr. Zachary Ross
August 17, 2006
Page 4 of 4

Organizing Committee (VOC) fund only requires one signatory in order to make a disbursement by check. A second signature on union checks is an effective internal control of union funds. I recommend that a second officer is added to the VOC fund as a signatory. Further, all checking accounts should require a countersignature before disbursements can be made.

Pre-numbered Receipts


During the audit, I advised you that union issued receipts should be pre-numbered. Pre-numbered receipts provide an effective control on the amount of receipts that are issued to union members and outside parties. I recommend that Local 790 obtain pre-numbered receipts so the number of receipts issued during the year can be effectively monitored.

Approval of Credit Card Transactions

As discussed during the exit interview, the audit revealed that Local 790's membership approves credit card disbursements at union meetings. However, the membership does not receive an exact understanding of what it is they are approving since credit card transactions are grouped into similar categories before being presented to the membership. I recommend that Local 790 post an itemized listing of credit card purchases at each membership meeting in order for members to be fully aware of what they are approving.

I want to extend my personal appreciation to Carpenters Local 790 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: Victor Ancich, Jr., LU790 Accountant
David Bally, LU790 President