



October 24, 2014

Mr. Kevin Howard, President
Carpenters Local 472
12103 Virginia Boulevard
Ashland, Kentucky 41102

Case Number: 350-6002351 [REDACTED]
LM Number: 017-626

Dear Mr. Howard:

This office has recently completed an audit of Carpenters Local 472 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 and Office Manager Pamela Davis on August 15, 2014, 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 472's fiscal year ending June 30, 2014 records revealed the following recordkeeping violation:

1. Disposition of Property

Local 472 purchased and gave away various items to members and other individuals at events such as the annual Family Day Picnic, the annual IKORCC Delegate Conference,

Labor Day and Christmas parades, etc. The promotional items the local gave away included hats, t-shirts, gift cards, stickers, piggy banks, paring knives, etc. Although the local maintained vendor receipts for the purchases, it failed to maintain a record of who was given the various gifts and promotional items. Thus, had it been necessary, it would not have been possible to verify the disposition of those assets.

Obviously, there are situations in which it would not be reasonable to require the local to maintain a record of specific individuals given promotional items. In particular, it would not be feasible for items the local gives out to the public randomly from its float during parades. However, the local should make a good faith attempt to at least maintain a generalized record. For example, if the local gave out 25 t-shirts during a parade, it might maintain a record such as, "25 shirts given out to members of the public for promotional purposes during the Labor Day Parade."

Based on your assurance that Local 472 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

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 472 for fiscal year ending June 30, 2014, was deficient in the following area:

1. Acquire/Dispose of Property

Item 15 of Local 472's 2014 LM-2 report (During the reporting period did the labor organization acquire or dispose of any assets in a manner other than purchase or sale?) should have been answered, "Yes," because Local 472 gave away various gifts and promotional items as described above. The local must identify the type and value of any property given away in the additional information section of the LM-2 report along with the identity of the recipients of such property. However, the union does not have to itemize on the LM-2 report every recipient of such giveaways by name. Rather, the union can describe the recipients by broad categories if appropriate such as "members," "retirees," "IKORCC delegates," "parade attendees," etc.

I am not requiring that Local 472 file an amended LM report for 2014 to correct the deficient items, but Local 472 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Use of Signature Stamp

During the audit, you advised there are occasions when check signers, in their absence, authorize Local 472's office manager to utilize their signature stamps on the union's 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, the use of signature stamps does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 472 review these procedures to improve internal control of union funds.

2. Bonding

During the audit, I calculated that Local 472 must have a bond in the minimum amount of \$59,930. Although Local 472's \$60,000 bond meets the legal requirement, the local might want to consider increasing its bonding amount in anticipation of future increases in the local's assets and receipts.

I want to extend my personal appreciation to Carpenters Local 472 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,


Senior Investigator