



September 17, 2019

Mr. Terry Darling, Financial Secretary
Carpenters Local 551
5500 Spencer Highway
Pasadena, TX 77505

Case Number: 420-6014716 [REDACTED]
LM Number: 517497

Dear Mr. Darling:

This office has recently completed an audit of Carpenters Local 551 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 Trustee Kenneth Fontenot on September 13, 2019, 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 551's 2018 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 551 incurred credit card expenses totaling at least \$1,622, which had supporting documentation (receipts), but did not indicate the union business purpose. As noted above, labor organizations must retain original itemized receipts, bills, and vouchers for

all disbursements and indicate the union business purpose for the expenditure. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

The OLMS Compliance Tip, *Union Credit Card Policy*, which I provided during the exit interview, will provide further guidance on this matter.

2. Meal Expenses

Local 551's records of meal expenses totaling at least \$429 did not always include itemized receipts and/or written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

The OLMS Compliance Tip, *Reimbursed Travel Expense Payments*, which I provided during the exit interview, will provide further guidance on this matter.

3. Disposition of Property

Local 551 did not maintain a record to keep an inventory of union items that were purchased, sold, or given away to members. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported. The union must record in at least one record the date and amount received from each sale of union hats, jackets, and other items.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away, the recipients of those items, and account for any unused items.

Based on your assurance that Local 551 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

1. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when changes are made to the constitution or bylaws. Local 551 amended its constitution and bylaws in 2016, but did not file a copy with the LM report for that year.

As agreed, Local 551 will file a copy of its current constitution and bylaws with the Labor Organization Annual Report Form LM-2, which will be filed for the fiscal year ended June 30, 2019, by not later than September 30, 2019.

I want to extend my personal appreciation to Carpenters Local 551 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,

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Investigator

cc: Mr. Kenneth Fontenot, Trustee