



January 29, 2020

Ms. Juli Laramie, Controller
St. Louis-Kansas City Carpenters Regional Council
1401 Hampton Avenue
St. Louis, MO 63139

Case Number: 510-6013120
LM Number: 002637

Dear Ms. Laramie:

This office has completed an audit of St. Louis-Kansas City Carpenters Regional Council (CRC) 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 CRC General Counsel Martin Walter on January 29, 2020, 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 CRC's fiscal year 2018 records revealed the following recordkeeping violations:

1. Petty Cash Disbursements and General Reimbursed/Meal Expenses

CRC did not retain adequate documentation for all petty cash disbursements and general reimbursed expenses from petty cash incurred by union officers and employees. For

example, the petty cash ledger lists a \$100 disbursement for “Retiree X-Mas Prizes,” but no supporting documentation was maintained to support this disbursement.

CRC also did not always require officers and employees to submit itemized receipts for meal expenses. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

CRC records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, the petty cash ledger lists several disbursements to Mark Dalton for “Meeting” and “Lunches” with attached meal invoices. However, these meal invoices do not indicate the purpose of these meetings/meals. Another entry on the petty cash ledger lists a payment to Bartolino’s Osteria for “Meeting”, but the supporting documentation does not indicate the purpose of this meeting or those in attendance.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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.

2. Disposition of Property

CRC did not maintain an inventory of various sporting event and entertainment tickets it purchased, sold, or gave away. For example, the union spent \$14,500 on season tickets to the Gateway Grizzlies baseball games during the fiscal year and did not maintain any record of the tickets or the recipient(s) of the tickets. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28. The union must record in at least one record the date and amount received from each sale of tickets, and in the case of tickets given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

3. Lack of Salary Authorization

CRC did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 were the authorized amount and therefore were correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

During the audit, you advised OLMS that business agents’ salaries have been approved by the executive board since 2008. However, the executive board does not keep meeting

minutes, so there is no way to verify these amounts. Additionally, CRC informed OLMS Executive Secretary-Treasurer Albert Bond is entitled to a salary equal to 85-percent of the Carpenters International Vice President's salary, plus allowances. CRC meeting minutes from May 9, 2017, indicate a motion was passed to pay Bond a salary equal to 85-percent of the Vice President's salary but allowances are not included in this authorization. Since Bond's salary appears to include the referenced allowances, this portion of the salary should be approved and properly documented.

4. Targeting Request Applications and Loan Agreements

During the audit, you, Bauer, and Walter indicated CRC makes loans to union contractors to generate union work for members. Review of loan documents of randomly selected loan recipients revealed CRC was missing signed targeting request applications for loans made to Midwest Drywall and Gregory Construction.

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

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 CRC for the fiscal year ended June 30, 2018, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?), which was answered, "Yes," did not include an adequate description of all assets given away in that the value of hats and t-shirts given away was not provided, and sporting event and entertainment tickets given away by the union were not listed or valued. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers and Employees (LM-2)

CRC did not include some indirect payments to employees totaling at least \$795 in Schedule 12 (Disbursements to Employees). For example, a registration fee paid to the Illinois State Bar Association on behalf General Counsel/Business Agent Martin Walter

was not included in Column F of Schedule 12 next to Walter's name. It appears that the local erroneously reported such payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

I am not requiring that CRC file an amended LM report for 2018 to correct the deficient items, but CRC has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violations

The audit disclosed the following other violation:

Illegal Loans to Employees

Section 503 of the LMRDA prohibits labor organizations from making direct and indirect loans to any officer or employee of such organization which results in a total indebtedness on the part of such officer or employee to the labor organization in excess of \$2000. During the compliance audit you indicated CRC makes "employee assistance loans". The audit revealed three of these loans made during the 2018 fiscal year were in excess of \$2000. For each loan made a promissory note was maintained and employees were charged a three-percent fee for the life of the loan. Some of the promissory notes reviewed state loans may not exceed \$2000 and others state the maximum loan is \$3000. Loan payments are deducted automatically from employees' payroll checks in the amount agreed upon in the promissory note. Employee loan requests are forwarded the Executive Secretary-Treasurer Bond who then authorizes or denies the loan. Once a loan is approved by Bond the employee is paid the agreed upon amount in cash from the CRC petty cash fund. In reference to Section 503, the LMRDA states, "Any person who willfully violates this section shall be fined not more than \$5000 or imprisoned for not more than one year, or both."

During the exit interview, you indicated you understand this policy and that CRC will no longer make loans in excess of \$2000 to any officers or employees.

Other Issues

1. Use of Signature Stamp

During the audit, Bauer advised that it is their practice for Executive Secretary-Treasurer Bond to sign all union checks and to stamp the signature of President Larry Derringer on union checks. Bauer indicated that Vicky Andrews prepared the checks and Bond reviews them before they are issued. 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 a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that CRC review these procedures to improve internal control of union funds. During the exit interview you indicated new procedures will soon be implemented which will discontinue use of the signature stamp.

2. Travel Advances

During the audit, you and Bauer stated the union stopped granting travel advances several years ago. However, review of the disbursement records revealed a travel advance was paid to a clerical employee ([REDACTED]) in July 2017. CRC should follow their policy regarding travel advances and/or document any authorization to depart from the policy in place.

I want to extend my personal appreciation to St. Louis-Kansas City Carpenters Regional Council 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/employees. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

[REDACTED]

[REDACTED]

Senior Investigator

cc: Mr. Albert Bond, Executive Secretary-Treasurer