

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Cincinnati District Office
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March 2, 2007

Mr. David Reed, Financial Secretary/Treasurer
Carpenters
Local 546
3000 S. Old U.S. 41
Vincennes, Indiana 47591

Re: Case Number: [REDACTED]

Dear Mr. Reed:

This office has recently completed an audit of Carpenters Local 546 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, Lynn Knoblett, Keith Carter, and Paul Berkowitz on November 3, 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.

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.

The audit of Local 546's records disclosed a violation of Section 206 in that three individual credit card transaction slips could not be found in the union's records and no supporting documentation, such as a receipt or invoice, could be found for check

number 7700 in the amount of \$1,500. As agreed, no enforcement action will be taken regarding this violation, provided that Local 546 maintains adequate documentation in the future.

Title II of the LMRDA requires, in Section 201, that unions submit copies of their bylaws to the Secretary of Labor when changes are made. The audit disclosed a violation in that Local 546 did not file a copy of its most recent local bylaws. The local provided a copy of its most recent bylaws during the audit, so no further action is necessary in this regard.

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports which accurately disclose the union's financial condition and operations. The Labor Organization Annual Report Forms (LM-3's) filed by Local 546 for its fiscal years ending June 30, 2004; June 30, 2005; and June 30, 2006 were deficient. There were a number of different deficiencies with the most important being that the union's reported cash figures for these reporting periods did not balance. However, the union submitted acceptable amended reports for each of these years, so no further action is required regarding the deficient reports.

The audit disclosed the following other issues:

During the audit, I advised you that authorization for the salary amounts paid to Local 546's office manager could not be found in union records. I recommend that Local 546 document the authorized salary amounts in its bylaws or record them in meeting minutes or some other internal document (following discussion in the appropriate membership and/or executive board meeting).

During the audit, you advised me that the local has used signature stamps, on occasion, when check signers are not available, but only after the disbursement has been approved by the union's membership. Similarly, the local has allowed for only one signature to be pre-signed on checks if a bill is coming due and that officer will be unavailable. 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 of a signature stamp or the pre-signing of checks, even if only for one officer's signature, does not attest to the authenticity of the completed check. This completely circumvents and undermines the purpose of the countersignature requirement. I recommended that Local 546 review these procedures to improve internal control of union funds. The local agreed to stop using signature stamps (and to destroy those stamps) and to stop pre-signing checks.

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I want to extend my personal appreciation to Carpenters Local 546 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you pass on this letter and the compliance assistance materials provided to you to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: President Jeff Jones
Paul Berkowitz, Esquire
Keith Carter, CPA