

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Chicago District Office
230 S. Dearborn Street, Suite 774
Chicago, Illinois 60604
(312) 596-7160 / FAX: (312) 596-7174



December 28, 2005

Mr. Bruce Werning
Carpenters Heartland Regional Council
201 E. Third Street
Sterling IL, 60181
Facsimile: (815) 626-2190

Re:

Dear Bruce Werning:

This office has recently completed an audit of United Brotherhood of Carpenters (UBC), Heartland Regional Council (HRC) 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).

The HRC Labor Organization Annual LM-2 Report for fiscal year ending May 31, 2004, which was the organization's terminal report, noted the organization's financial activity from July 1, 2004 through May 31, 2004. The compliance audit focused on these 11 months. As discussed during the exit interview on December 21, 2005, the following concerns 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.

A. Reporting Violations

No violations.

B. Record Keeping Violations

The LMRDA, Title II, Section 206 / 29 U.S.C. 436 states: "Every person required to file any report under this title shall maintain records on the matters required to be reported which will provide in sufficient detail the necessary basic information and data from which the documents filed with the Secretary may be verified, explained, or clarified, and checked for accuracy and completeness, and shall include vouchers, worksheets, receipts, and applicable resolutions, and shall keep such records available for examination for a period of not less than five years after the filing of the documents based on the information which they contain."

The CAP disclosed the following record keeping violations:

1. The HRC failed to maintain sufficient records to verify how the union derived the amount of receipts and disbursements that were reported in the union's May 31, 2004 LM-2 report.

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You agreed during the exit interview to contact the U.S. Department of Labor to provide a union record that verifies the information reported on the union's LM-2 report.

2. The Local failed to maintain voided checks. The HRC advised that in November 2004, Financial Officer Bruce Werning ordered the records to be shredded.

While you advised that the union no longer disburses general expense checks, you agreed to maintain all future voided checks.

3. Bank statements from the 4 for April 2004 and May 2004 were not maintained. The union remedied this issue during the audit by obtaining copies of the above noted bank statements. No further action is required.

C. Other

1. As discussed, the CAP was impeded due to incomplete, inaccurate, and conflicting information provided by the union throughout the audit. The following notes several incidents:
 - a. The union had a safety deposit box when the DOL was advised during the initial interview that the union did not have a safety deposit box;
 - b. The union destroyed voided checks when the DOL was advised during the initial interview that the union maintained all financial records;
 - c. The union disbursed funds both by check and by electronic fund transfers when the DOL was advised during the initial interview that union only disbursed funds by check;
 - d. The union currently maintains the majority of bank accounts that were open during the audit period when the DOL was advised during the audit that at least one checking account was closed;
 - e. The union advised the DOL that there was minimum voided activity during the audit period. The union then advised the DOL that there was several hundred thousand dollars of voided activity. The union then provided records that indicated that the union incurred over one and a half million dollars of voided payroll and general expenditures during the audit period;
 - f. The union advised the DOL that the volume of voided activity did not affect the general ledger. However, the monthly general ledger reports provided to the DOL includes voided and other financial activities that fail to accurately reflect indicate how the union derived to the amounts provided on the LM-2 report.
2. The HRC filed a terminal LM-2 report effective May 31, 2004. However, the HRC records suggest that the union continues to have separate bank accounts and autonomously provide services on behalf of union members, including administering of PAC funds.

During our upcoming meeting, we will review the following:

- a. The union's financial records that provide sufficient detail to verify the receipts and disbursements reported on the HRC terminal LM-2 report, effective May 31, 2004.

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- b. The provisions set forth regarding the HRC obligations regarding the merger into UBC Chicago Regional Council of Carpenters.
- c. Review the HRC bank accounts that were open during the audit or opened after May 31, 2004 to verify the following:
 1. The status of each bank account (open /closed).
 2. If the bank account was closed, provide bank statements to verify the date the account was closed and where the funds of the closed account were transferred.
 3. For each open bank account:
 - a. The names of signatories for the account;
 - b. The purpose of the account.
 - c. Bank statements for each account from June 1, 2004 to current;
 - d. Any related records regarding the activity related to the bank account, including meeting minutes, memos, ledger reports, etc.
 - e. The current balances of the account, if not accurately reflected on the most recent bank statement.

Thank you for your continued cooperation. I look forward to speaking with you by January 18, 2006 and meeting with you to review the above by February 17, 2006.

If I can be of any assistance, please do not hesitate to call me at (312) 596-7164.

Sincerely,

FCCI