

U.S. Department of Labor

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Office of Labor-Management Standards
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January 30, 2008

Mr. Allen Stonebraker, Financial Secretary
Carpenters IND
Local 1875
907 North 7th Street
Elsberry, MO 63343-1017

LM File Number 032-389
Case Number: [REDACTED]

Dear Mr. Stonebraker:

This office has recently completed an audit of Local 1875 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 on January 25, 2008, 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 1875's 2006 records revealed the following recordkeeping violations:

1. Documentation

Adequate documentation was not retained for a number of expenditures. All invoices or other documentation must be retained in your files as required by the LMRDA. Additionally, individual receipts for a few dues payments were missing. In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Records for the Certificates of Deposit at [REDACTED], [REDACTED] and [REDACTED] were not retained. Bank records must also be retained for all accounts.

2. Expenses

Local 1875 failed to maintain adequate documentation for meal expenses at Ponderosa that totaled \$11,587.50. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded.

3. Lack of Salary Authorization

Local 1875 did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) of the LM-3 were the authorized amounts and 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.

Based on your assurance that Local 1875 will maintain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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-3 filed by Local 1875 for fiscal year ending June 30, 2006, was deficient in that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. Local 1875 had not reconciled all bank accounts on a monthly basis; as a result, the local's financial records showed a beginning checking account balance for the audit period that was \$937.74 more than the beginning balance per the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

I am not requiring that Local 1875 file an amended LM report for 2006 to correct the deficient items, but Local 1875 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

During the audit, you stated that President Dennis Watkins signs blank checks in advance. Your union's bylaws require that all checks be signed by the president and treasurer. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check and completely circumvents and undermines the whole purpose of the countersignature requirement. I recommend that Local 1875 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Local 1875 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.

Mr. Allen Stonebraker
January 30, 2008
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Sincerely,

[REDACTED]

Investigator

cc: Dennis Watkins, President