



June 23, 2011

Mr. William Ferrara, Financial Secretary
Carpenters, Local 55
4290 Holly Street
Denver, CO 80216

Case Number: [REDACTED]
LM Number: 540701

Dear Mr. Ferrara:

This office has recently completed an audit of Carpenters, Local 55 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 June 22, 2011, 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 55's 2010 records revealed the following recordkeeping violations:

1) General Reimbursed and Credit Card Expenses

Local 55 did not retain adequate documentation for various reimbursed expenses and credit card expenses incurred by the local totaling at least \$7,962. For example, no expense receipts were found in records for credit card charges to Mile High Rental,

Lehrer's Flowers, Southwest Airlines, King Soopers, Target, Subway, and to various vendors for office supplies.

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

Local 55 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. For example, the union spent over \$39,100 on jackets, T-shirts, pencil clips, calendars, Rockies tickets, and gift cards it gave away to members. However, the names of members who received items bought with union funds were missing from records. The union kept a signed list of 31 members who received "tickets," but the list did not show the type of tickets or the number of tickets that each member received.

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 (Other Assets). 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 or gift of union hats, jackets and other items.

3) Failure to Record Receipts

In a sample of receipts OLMS reviewed, Local 55 did not record in receipts records, cash received from five new members for initiation fees totaling \$780. The cash was not deposited to any Local 55 accounts. Although the union later showed that the cash was deposited into a separate account owned by the Carpenters and District Council in Kansas City, MO, the cash was not recorded in any Local 55 receipts records, nor was it recorded as a disbursement to the Kansas City local's account.

Also numerous duplicate receipts issued to members for dues and initiation fees, do not indicate if the receipts were in the form of cash, check, or money order. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

4) Information not Recorded in Meeting Minutes

During the audit, meeting minutes showed that the membership authorized various purchases such as T-shirts, jackets, hats, pencil clips, gift cards, calendars, and Rockies tickets. However, the minutes contained no reference to membership approval for the total amount approved for items that the union purchased with union funds, or the names of individuals who were authorized to travel, or the business conducted.

Section 54-D of the International Carpenters Constitution requires that all funds paid from local funds, be approved by a majority vote of the members present at membership meetings, and that the minutes of all meetings report any disbursement authorizations made at those meetings.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 55's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 Local 55 for the fiscal year ended June 30, 2010, was deficient in the following area:

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 it makes changes to its constitution or bylaws. Local 55 amended its constitution and bylaws in 2002, but did not file a copy with its LM report for that year.

Local 55 has now filed a copy of its constitution and bylaws.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 55 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Signing Blank Checks

During the audit, you advised that officers sign blank checks to pay officer salaries at membership meetings. Your union's bylaws require that all checks be signed by the

president and treasurer. 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 55 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Carpenters, Local 55 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,

A solid black rectangular box used to redact the signature of the investigator.

Investigator

cc: Mr. Robert Disney, President