

**U.S. Department of Labor**

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March 27, 2008

Mr. Kevin Markuson, President  
Carpenters Local 851  
1534 South Ferry Street  
Anoka, MN 55303-2157

LM File Number: 039-681  
Case Number: [REDACTED]

Dear Mr. Markuson:

This office has recently completed an audit of Carpenters Local 851 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 Financial Secretary Mike Nelson and Chief Officer Clerk Brenda Olson on January 9, 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 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. At least one record showing the date, amount, purpose, and source of that money should be maintained. Local 851 must also retain bank records for all accounts.

The audit of Local 851's 2007 records revealed the following recordkeeping violations:

1. Officer Expenses

Adequate records were not retained to support a \$7,500 advance to Trustee Nick Vevea to pay for expenses associated with the summer picnic. During the audit, Mr. Vevea provided documentation covering \$5,050 of the expenses and advised that Local 851 agreed for him to "carry over" the remaining amount to be used at the summer picnic in 2007. The amount carried over was discussed and documented at a meeting. As stated 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.

Additionally, Mr. Vevea did not provide an itemized receipt for a purchase of eight bicycles at Target in the amount of \$715. The bicycles were used as raffle prizes for members and their families who attended the summer picnic. Mr. Vevea later advised that an itemized receipt was originally provided to Local 851, but shortly after the picnic, one of the bicycles broke and needed to be returned. Mr. Vevea said he gave the receipt to the member so they could exchange the bicycle.

2. Disposition of Property

Local 851 gave away at least \$1,000 worth of prizes and gift certificates at the summer picnic, but did not maintain records that identified the recipients of the prizes.

While it is not necessary to itemize every recipient of a prize on the LM report, a record must be maintained that verifies the identity and number of the recipients of the gift cards and cash prizes.

Based on your assurance that Local 851 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 (LM-2) filed by Local 851 for fiscal year ending June 30, 2007, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 851 did not include some reimbursements to Brenda Olson totaling almost \$1,000 in Schedule 12 (Disbursements to Employees). For example, Ms. Olson received a few direct disbursements to replenish the petty cash fund. It appears Local 851 erroneously reported these payments in Schedules 15 through 19.

Local 851 must report in Column F of Schedules 12 (Disbursements for Official Business) direct disbursements to employees for reimbursement of expenses they incurred while conducting union business. In addition, indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur must be reported in Column F of Schedules 11 and 12. However, 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 must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11 and 12.

2. Advance for Summer Picnic

During the exit interview, I advised Mr. Nelson that the \$1,500 not used by Nick Vevea for the summer picnic expenses that was "carried over" for use on the 2007 summer picnic would need to be reported in Item 26 (Loans Receivable) and Item 53 (Loans Made). As noted in section six of the LM-3 instructions, advances are considered loans and must be reported in Item 26 and Item 53 if the amount of the advance is not fully repaid or fully accounted for by vouchers or paid receipts within 30 days after the completion or cancellation.

3. Item 13

Local 851 checked Item 13 (Loss or Shortage of Funds) "yes." During the audit Mr. Nelson stated that Item 13 was checked "yes" in error and that Local 851 experienced difficulties entering information in to the electronic LM-2 form which might have caused the error.

I am not requiring that Local 851 file an amended LM-2 report for 2007 to correct the deficient items, but Local 851 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Local 851 did not maintain adequate records to support payments to Brenda Olson for reimbursements of car insurance expenses totaling \$500. During the audit, Olson advised that Local 851 has been reimbursing her for mileage and insurance since the late 1990's. However, authorization for insurance reimbursement could not be found in union records. Local 851 must keep a record, such as meeting minutes, to show the current insurance reimbursement authorized by the entity or individual with the authority to establish such policies.

I want to extend my personal appreciation to Carpenters Local 851 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,



Investigator

cc: Mike Nelson, Financial Secretary