



May 29, 2013

Mr. Steve Banys, President
North Central States Regional Council of Carpenters
[REDACTED]

Case Number: 330-08767([REDACTED])
LM Number: 035-751

Dear Mr. Banys:

This office has recently completed an audit of North Central States Regional Council of Carpenters (NCSRCC) 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 Executive Director Mert Summers and Attorney Burt Johnson on May 8, 2013, 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 NCSRCC's 2011 records revealed the following recordkeeping violations:

1. Check for Packer Tickets, General Reimbursed Expenses, and Credit Card Expenses

NCSRCC did not retain adequate documentation for over 1,167 credit card expenses and reimbursed expenses incurred by former Executive Secretary-Treasurer (EST) James

Moore, former Executive Director [REDACTED], EST John Raines, Mr. Summers, Mr. Johnson, former Director of Organizing [REDACTED] former Assistants to the EST [REDACTED] and [REDACTED] Trustees Gary Hawley and Patrick Rodriguez, and current/former Business Representatives Toby Biegel, Thomas Tinglov, [REDACTED] [REDACTED] Joel Laskey, Ronald Hanko, and Scott Le Captain totaling at least \$85,500. For example, a review of the local's credit card records show that Mr. James Moore, Mr. Biegel, Mr. Wigman, and Mr. Clark charged \$43,982 in meal expenses to the union credit cards assigned to them; however, Mr. James Moore, Mr. Biegel, Mr. [REDACTED] and Mr. Clark did not retained itemized receipts for 434 meal expenses totaling \$30,960.

As another example, NCSRCC did not retain adequate documentation for check [REDACTED] for \$2,628.00 to HJ Martin & Sons on August 31, 2010 for what was identified as tickets to the Green Bay Packers in an email from former Executive Assistant [REDACTED] to Bookkeeper Kae Kolb. No other supporting documentation was retained for this disbursement, and no supporting documentation was retained that identified the union business purpose of the disbursement or that showed whether the tickets were used by union personnel or were sold or given away.

During the exit interview, Mr. Summers and Mr. Johnson stated that NCSRCC employees have been told quarterly within the last year that it is NCSRCC's policy to keep any itemized receipts provided by restaurants. They stated that they have advised employees to "grab" the itemized receipts when they are readily available. However, Mr. Summers stated that he does not expect employees to "wait around" for an itemized receipt or to ask for an itemized receipt if it is not provided by a restaurant. Mr. Summers and Mr. Johnson expressed concern about union staff time required to wait for an itemized meal receipt and expressed concern that such receipts are typically only provided by restaurants upon request. Further, Mr. Summers estimated that council employees would have spent 220 hours (assuming a ten minute wait per receipt) trying to obtain the missing itemized receipts from the audit year had they requested them at the time the expenses were incurred.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. In the case of meal expenses, records retained must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses, and itemized receipts must be retained to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Union Owned Vehicles

NCSRCC did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the Labor Organization Annual Report (Form LM-2).

The NCSRCC owned at least 73 vehicles that were assigned to union personnel during 2011. A review of the mileage logs for NCSRCC's vehicles revealed that mileage logs or similar records were not maintained for 21 of the 73 vehicles. Specifically, NCSRCC did not provide mileage logs for vehicles assigned to Mr. James Moore, Mr. Clark, Mr. Raines, Mr. [REDACTED], Mr. Johnson, Mr. Biegel, Mr. Smith, Mr. Tinglov, and 13 additional business representatives from the audit year.

During the course of the audit, Mr. Johnson stated that he believed that mileage logs were maintained for all of the vehicles. NCSRCC policies allow personnel to use union vehicles for personal use. Mr. Johnson, Mr. Summers, and CPA John Tauer stated that any personal use is determined at the end of each tax year, and any personal taxable benefit is reported on each employee's tax form W-2. Mr. Johnson stated that it is possible that some log books were lost, misplaced, or misfiled. At the exit interview, Mr. Summers and Mr. Johnson stated that the mileage logs are currently maintained by NCSRCC employees to track vehicle expenses and personal miles driven on the vehicles.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain a record, such as mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip. These records are required to be retained to enable OLMS to determine if NCSRCC has properly reported expenses related to the operation and maintenance of union vehicles as required in the LM-2 instructions.

3. Reimbursed Auto Expenses

Trustees Joseph Jacobs, Mr. Hawley, and Mr. Rodriguez received reimbursement for business use of their personal vehicles; however, they did not retain adequate documentation to support payments to them totaling at least \$4,742 during 2011. Mileage reimbursements were claimed on expense vouchers that normally identified the union business conducted, the mileage rate claimed, and the total miles driven; however, the expense vouchers were not sufficient because they failed to identify the dates of travel, the number of miles driven each day, and the starting and ending locations.

NCSRCC must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

4. Lack of Salary Authorization

NCSRCC did not maintain records to verify that the salaries reported in Schedules 12 (Disbursements to Employees) of the LM-2 were the authorized amounts and were therefore correctly reported.

The authorized salaries for NCSRCC officers and employees are noted in NCSRCC's bylaws and the two collective bargaining agreements (CBA) for some of the NCSRCC staff; however, during the course of the audit, Mr. Johnson stated that NCSRCC does not have any documentation from the audit year showing the authorized salaries paid to him and several employees whose salaries are not listed in the bylaws or the two CBA.

NCSRCC must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries. During the exit interview, Mr. Johnson stated that NCSRCC recently implemented a policy to verify the salaries paid to officers and employees are being paid in the correct amount and that there is proper authorization for all salaries paid to officers and employees. Mr. Johnson and Mr. Summers stated they would provide OLMS with copies of documents detailing the new policies implemented by NCSRCC in October 2012. However, the records have not been received by OLMS as the date of this letter. Please provide copies of these records as soon as possible.

Based on your assurance that NCSRCC will retain 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 LM-2 filed by NCSRCC for the fiscal year ended June 30, 2011, was deficient in that:

Disbursements to Officers and Employees

NCSRCC erroneously included airfare and lodging expenses charged to union credit cards by officers and employees totaling at least \$216,381 in Column F of Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). A review of an Excel spreadsheet (created by NCSRCC's accountants) that was used to prepare the LM-2 for the audit year and the credit card statements for 15 officers and employees revealed that lodging and airfare expenses charged to union credit cards were included in the total reimbursed expenses reported in Column F of Schedules 11 and 12; however, indirect disbursements for airfare and temporary lodging must be reported in Schedules 15 through 19.

The audit revealed that Mr. James Moore and Mr. [REDACTED] incurred at least 71 meal expenses totaling \$4,894.34 at restaurants in the areas near their homes and the union office. In many instances, the records reflect that the meal expenses incurred were incurred with other NCSRCC staff. In the case of these meal expenses, the frequency and regularity of the meetings, and the fact that they take place at a time when the officers and/or employees would otherwise normally be paying for meals themselves, appear to indicate that the meals are more for the personal benefit of the officers rather than necessary for conducting official union business. During the exit interview, Mr. Summers and Mr. Johnson reviewed

information regarding the meal expenses incurred by Mr. Moore and Mr. [REDACTED] and were unable to determine whether or not those meals were necessary for conducting union business. Therefore, unless it can be shown that the meals were actually necessary for conducting official union business, such disbursements of the union must be reported in column G of schedules 11 and 12 of the LM-2 rather than in column F, and may be allocated among the officers and employees.

Sections 214.571 through 214.577 of the LMRDA Interpretative Manual provide guidance and examples for reporting direct and indirect disbursements for food and refreshments for officers, employees, general membership gatherings, and for the entertainment of individuals outside the union. Copies of Sections 214.571 through 214.577 of the LMRDA Interpretative Manual were provided to Mr. Johnson and Mr. Summers during the exit interview.

Direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business must be reported in Column F of Schedules 11 and 12 (Disbursements for Official 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.

I am not requiring that NCSRCC file an amended LM report for 2011 to correct the deficient items, but NCSRCC has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Airfare Policy

NCSRCC's policy for airfare expenses from its expense policy dated August 19, 2009 authorizes business representatives and other council employees to fly "coach airline travel;" however, the audit revealed that Mr. James Moore and Mr. [REDACTED] collectively took 46 first class flights during 2011 at a cost of \$60,496. Mr. Johnson advised that he recalls seeing a document that authorized Mr. James Moore, Mr. [REDACTED], and their guests to fly first class, and that this was probably approved a number of years ago by the Northern Wisconsin Regional Council of Carpenters (NWRCC). Mr. Summers also recalls a discussion authorizing Mr. James Moore and Mr. [REDACTED] to fly first class during a NWRCC meeting, but he does not recall when it occurred. However, the NCSRCC was unable to produce any documentation showing that Mr. James Moore and Mr. [REDACTED] were authorized to fly first class.

To ensure proper internal financial control over union disbursements, OLMS recommends that each union: (1) adopt a clear policy on travel expenses; (2) establish what documentation is required to be retained for travel expenses; and (3) establish a procedure that provides for approval of travel expense claims. During the exit interview, Mr. Johnson and Mr. Summers advised that NCSRCC recently updated NCSRCC's expense policy to allow first class flights for emergency purposes only.

I want to extend my personal appreciation to NCSRCC 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,



Senior Investigator

cc: Mr. John Raines, Executive Secretary-Treasurer
Mr. Mert Summers, Executive Director
Mr. Gary Hawley, Trustee
Mr. Patrick Rodriguez, Trustee
Mr. Clayton Wrazidlo, Trustee
Mr. Burt Johnson, Esquire