



June 7, 2005

Lou Schneider, President  
SEIU Local 152  
3037 Washington Avenue  
Racine, WI 53405

Re: ' 2

Dear Mr. Schneider:

This office has recently completed an audit of SEIU Local 152 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, Ms. Gatzke, Ms. Chady and Mr. Wieland on May 26, 2005, 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 record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

1. Local 152 failed to retain the following records:
  - a. Voided checks 3194-3199 and 3245. Secretary/Treasurer Gatzke explained the printer malfunctioned when printing this series of checks and she and Vice President Chady tore them up and threw them away.
  - b. The September 2004 credit card statement for the union VISA account and the February and December 2004 statements for the Sam's Club charge account.

- c. Adequate documentation for expenses charged to union credit cards. The date, amount, and business purpose of every expense must be recorded on at least one union record. Three expenses on the June 2004 VISA statement had no supporting documentation.

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In addition, the names of individuals present for meal expenses paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded. Local 152 failed to adequately identify the names of the individuals present on all meals receipts. The identification should include a first name or initial and the complete last name of the individuals that are present for the meal expense.

2. Some vouchers submitted by union personnel for lost wages do not adequately identify the union business conducted that required lost wages be incurred. The lost wage claims must identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a sufficient description of the union business conducted.

The Local 152 by-laws allow officers to be reimbursed by the union for lost wages from their employer as well as receive compensation for personal time conducting union business. Local 152 appears to use the same "lost time" voucher to document both of these types of compensation. However, the vouchers do not identify those wages paid as actual lost wages from those wages paid as compensable personal time. To characterize all such payments as "lost time" for recordkeeping purposes misrepresents the purpose of the payments for personal time worked outside of the officer's normal working hours. The records maintained should identify those hours that are compensated as true lost wages, and those hours that are compensated as personal time. For example, an officer who normally works from 8:30 AM to 5 PM is absent from work to conduct union business from 1 PM to 5 PM and then is also paid by the union for union work performed from 5 PM to 7 PM, union records should show that the time paid from 1 PM to 5 PM was lost wages, while the time paid from 5 PM to 7 PM was not lost wages, but was other paid time.

3. Local 152 failed to accurately record in its records some employer dues check-off checks. Union receipts records must include an adequate identification of each individual receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

As agreed, provided that Local 152 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

#### Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-2) filed by Local 152 for fiscal year ending December 31, 2004 was deficient in the following areas:

1. Local 152 failed to record some disbursements to officers in Schedule 9 (All Officers and Disbursements to Officers).

All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in item In Schedule 9. A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment made by your organization to another party (including credit card companies) for cash, property, goods, services, or other things of value received by or on behalf of an officer. An indirect disbursement would include any meal expense incurred by an officer(s) that is charged to the union credit card and paid directly by the local. These expenses must be reported in Schedule 9, Column F (Disbursements for Official Business).

2. Local 152 erroneously recorded interest paid to credit card companies in Schedule 13 (Office and Administrative Expense). These payments should be reported in Schedule 15 (Other Disbursements).

During the exit interview, I advised that the audit revealed Local 152 issued various payments to members who performed work repairing and maintaining the union building, and that such payments were not reported in Schedule 10 of the LM-2 (Disbursements to Employees). You advised that Local 152 considered such payments as payments to contractors, rather than employees. OLMS is currently reviewing the details concerning such payments and how these payments to employees must be treated for LMRDA reporting and recordkeeping purposes. Local 152 will be notified in writing when a decision has been reached regarding this issue.

I am not requiring that Local 152 file an amended LM-2 report for 2004 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

#### Other Issues

During the course of the audit, Secretary/Treasurer Gatzke informed me that she was advised by a former C.P.A that payments to members who perform maintenance work on the union's building are not subject income tax reporting or withholding by Local 152. You should be aware that such payments are normally subject to income tax reporting. You may want to contact the IRS or refer to IRS Publication 15, Circular E, Tax Employers Tax Guide for further direction regarding the tax withholding and reporting requirements.

#### Recordkeeping Suggestions

1. During the organizational at the beginning of the audit, you advised me that there is no provision in the Local 152 by-laws that authorize salary payments to officers. It has been the long standing practice of the local for the President and Vice President to review the budget and determine the salaries for the year. Local 152 did not maintain any records regarding documenting the



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authorization of specific salary amounts to be paid. I suggest that Local 152 take steps to record the authorized salary amounts by discussing them at a future meeting and recording them in the meeting minutes or some other internal document. When the authorized salaries have been recorded in union records, I would appreciate it if you would forward a copy of the record documenting the authorization to me at the above address.

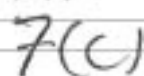
2. The authorization for the disbursements of meeting attendance bonuses could not be found in any union record. During the exit interview, you advised that this authorization took place at an executive board meeting several years ago. I would appreciate it if you would forward a copy of the record documenting the authorization to me at the above address.

### Revised LM-2 Requirement

Finally, by now you must be aware that Form LM-2 has recently been revised. When you file the LM-2 for the period January 1, 2005 through December 31, 2005 assuming Local 152 has receipts of \$250,000 or more, you must use the revised version of the form. It must be filed electronically unless you have followed special hardship exemption provisions. If you or the preparer of Local 152's LM-2 have not attended one of the many revised LM-2 seminars given by OLMS in December 2003, I urge you to become familiar with the new reporting requirements immediately. They are discussed at length on the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov) (follow the Quick Link for Revised Form LM-2 information). The website contains the following:

- Information and FAQ's about the revised Form LM-2
- Information and FAQ's about the new Form T-1 for reporting of information about each trust in which a labor organization is interested (such as a PAC fund or training institution)
- Links to the LM-2 and T-1 electronic forms and instructions
- Purchase instructions for the digital signatures required for filing the electronic forms
- A User Guide to completing the electronic LM-2
- PowerPoint presentations on completing the LM-2 and T-1
- PowerPoint presentations on four bookkeeping methodologies that can be implemented with commonly used commercial accounting software
- A Data Specification Document for technical users wishing to import data into the forms

I want to extend my personal appreciation for your and your entire staff's cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,  


Investigator

cc: Jodi Gatzke, Secretary Treasurer

Janet Hardaway, Grievance Chair  
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