



December 12, 2005

Ms. Loni Schultz, President
AFGE AFL-CIO, Local 1346
425 State St. Room 213
LaCrosse, WI 54601

File number: 501-918

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Dear Ms. Schultz :

This office has recently completed an audit of AFGE, Local 1346 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 Treasurer Richard Haeefe and Executive Vice President Greg Bachinski on December 9, 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.

Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Local 1346 for fiscal year ending May 15, 2005 was deficient in the following areas:

I. Payments to Officers

Local 1346 failed to include some credit card expenses and some reimbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). For example, the audit revealed union officers received payments totaling approximately \$2,950 for reimbursed expenses and also incurred credit card expenses totaling at least \$3850. However, Local 1346 reported in Column E (Allowances and Other Disbursements) of Item 24 total direct and indirect disbursements to officers totaling only \$2,493. It appears that some of the payments were erroneously reported in Item 48 (Office and Administrative Expenses) and/or Item 54 (Other Disbursements).

In addition, Treasurer Cara Nichols received a "stipend" of \$580 during 2004, but Local 1346 reported \$0 in Column D (Gross Salary) of Item 24. During the exit interview with Richard Haeferle and Greg Bachinski, on December 9, 2005, they both informed me that the stipend paid to the treasurer is for the purpose of compensating the officer for the work that they do for Local 1346 and is not to reimburse the officer for out-of-pocket expenses. Payments for such a purpose are considered salary for LM-3 reporting purposes and should be reported in Item 24, Column D (Gross Salary) of the LM-3 report.

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 24. 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. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expenses).

2. Bonding

Item 20 (Fidelity Bond) reported that Local 1346's officers and employees are bonded for \$150,000. However, the audit revealed that Local 1346 officers and employees are only bonded for \$15,000.

3. Cash Reconciliation

Local 1346's cash figures for the reporting period do not reconcile. Specifically, cash at the start of the reporting period (Item 25(A)) plus total receipts (Item 44) minus total disbursements (Item 55) does not equal cash at the end of the reporting period (Item 25(B)). Either one or more of the reported figures in these items is inaccurate or was blank and should be corrected or the cash shortage or overage must be explained in Item 56 (additional information). See worktable below.

| | | |
|-----|---------------------|--|
| | \$43,200.00 | Cash-Start of Reporting Period (Item 25 (A)) |
| ÷ | <u>\$103,054.00</u> | Total Receipts (Item 44) |
| = | \$146,254.00 | Total |
| - | <u>\$92,183.00</u> | Total Disbursements (Item 55) |
| = | \$54,071.00 | Ending Cash Computation |
| vs. | <u>\$54,105.00</u> | Cash-End of Reporting Period (Item 25 (B)) |
| | \$34.00 | Difference |

4. Acquire/Dispose of Property

Item 13 (Acquire any goods or property in any manner other than by purchase or dispose of any goods or property in any manner other than by sale?) should have been answered "Yes" instead of "No," because Local 1346 gave away goods to members during meetings. These "door prizes" included items such as kitchen gadgets, candles, dinnerware, and gift certificates for restaurants and book stores. The type and value of any property received or given away must be identified in the additional information section of the LM report with the identity of the recipient(s) or donor of such property. In addition, Local 1346 must retain records which adequately accounts for all property that is purchased, sold, and given away. Records must be retained that support the information required to be reported in Item 56. The record keeping requirement could be satisfied by recording the required information in meeting minutes or some other record.

I am not requiring that Local 1346 file an amended LM-3 report 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

1. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 1346's officers and employees are currently bonded for \$15,000. However, the bonding calculation shows that during 2004, Local 1346 officers handled \$166,731.36. Officers and employees must be bonded for at least 10% of this amount. Local 1346 should obtain adequate bonding coverage for its officers and employees as soon as possible. As agreed, you will provide proof of bonding coverage to this office as soon as adequate coverage has been obtained.

2. Salary Authorizations

During the audit, I advised you that authorization of the stipend amount paid to the treasurer could not be found in union records. Such authorization is an important matter which should be recorded in union records. I suggest that the union take steps to record the authorized salary amount by discussing it at a future meeting and recording it in meeting minutes or by recording it in some other record. 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.

3. Income Tax Reporting

The audit revealed that it appears Local 1346 improperly follows State and Federal income tax reporting requirements concerning the stipend payment to the treasurer. While Local 1346 itself may be exempt from income taxes, payments made by Local 1346 to officers and employees are not exempt, except in certain circumstances. You may want to contact the Wisconsin Department of Revenue in Madison at (608) 266-2776 (ask for the publication "Wisconsin Employer's Withholding Tax Guide") and the Internal Revenue Service for further information.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to yours and Mr. Haefele's successors at whatever time you may leave office.

I want to extend my personal appreciation to you, Greg Bachinski, and Richard Haefele for your 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: Richard Haefele, Treasurer
Greg Bachinski, Vice President