

U.S. Department of Labor

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Office of Labor-Management Standards
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November 3, 2008

Mr. John Eiden, President
Food & Commercial Workers Local 1473
2001 N. Mayfair Road
Milwaukee, WI 53226

LM File Number: 543-517
Case Number: [REDACTED]

Dear Mr. Eiden:

This office has recently completed an audit of Food & Commercial Workers Local 1473 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, Secretary Treasurer Grant Withers, and Office Manager Patricia Donovan on October 23, 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 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 1473's 2008 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 1473 did not retain adequate documentation for credit card expenses incurred by officers and employees totaling at least \$2,225.76. For example, Vice President Millicent Patrick and Member Trenna Gross attended a conference in Houston, Texas. The lodging expense at the Guesthouse Inn in the amount of \$1,052.90 was paid by the union credit card; however, hotel folios were not retained in Local 1473's records.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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. Meal Expenses

Local 1473 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$1,353.30. Itemized receipts provided by restaurants to officers and employees must be maintained. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. In addition, Section 206 requires that records of meal expenses 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.

3. Cell Phone Bills

During the audit year, officers and employees were reimbursed for a portion or entire personal cellular phone bill. However, Business Representatives Peter Singler and William Roberts failed to submit adequate documentation to Local 1473 for reimbursement of their personal cell phone bills, by submitting only

photocopies of their personal bills or by submitting only the summary page of their bills.

If Local 1473 pays for any business calls made from an individual's personal cell phone, or pays the entire bill, either as a direct payment to the telephone company or as a reimbursement to the individual, Local 1473 must retain the original telephone bills. In addition, the documentation retained must clearly note the charges paid by Local 1473.

4. Lack of Salary Authorization

Local 1473 did not maintain records to verify that some of the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 were the authorized amounts and were therefore correctly reported. In total, authorization was not maintained for salaries paid to at least eight officers and two employees whose gross salaries totaled least \$590,030. Local 1473 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.

Based on your assurance that Local 1473 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 (Form LM-2 / LM-3) filed by Local 1473 for fiscal year ending May 31, 2008, was deficient in the following areas:

1. Acquire/Dispose of Property (Additional Information)

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) was correctly answered, "Yes," because the union gave away bibles, t-shirts, planners and other items during the year. However, Local 1473 failed to provide the value of the goods given away in Item 69 (Additional Information). The type and value of any property received or given away must be identified in the additional information

section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees." In addition, the value of any items on hand at the end of the year must be reported in Schedule 7 (Other Assets).

2. Disbursements to Officers and Employees

Local 1473 did not include some credit card expenses incurred by officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). For example, you incurred at least \$7,818.516 in meal expenses charged to the union-issued credit card assigned to you. These payments are required to be included in the amounts reported in Schedules 11 or 12, Column F (Disbursements for Official Business). The payments may be allocated among those individuals present at the meal or reported with other expenses incurred by the officer who paid for the expense. It appears that these payments were erroneously reported in Schedules 15 through 19.

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.

3. Automobile Allowances Reported as Disbursements for Official Business

Local 1473 improperly reported automobile allowances to officers and employees \$138,268.48 in Column F (Disbursements for Official Business) instead of Column E (Allowances Disbursed) of Schedules 11 and 12. During the audit, you advised that Local 1473 officers and employees are reimbursed a depreciation and gas allowance to reimburse them for use of their personal automobiles used for union business.

According to the LM-2 instructions, you must report in Column E the total allowances made by direct and indirect disbursements to each officer on a daily, weekly, monthly, or other periodic basis. The automobile allowances disbursed to officers and employees must be reported in Column E. Disbursements for meals and mileage must be reported in Column F (Disbursements for Official Business) and Column G (Other Disbursements not Reported in D thru F).

4. Statement B (Receipts & Disbursements)

Local 1473 misreported both receipts and disbursements by at least \$2,971.05. The general ledger and supporting documentation show various reimbursements, refunds, and other receipts to Local 1437, but nothing is reported in Schedule 14, Line 3 (All Other receipts). For example, the or the union's cell phone policy states the Local will provide a phone and pay the bills for you, Secretary Treasurer Withers, Vice President Cecilia Prickett and Representatives Francisco Martin and Peter Singler. These individuals reimburse the Local \$50 per month for personal use of the cell phone. However, these receipts were not included in Item 48/Schedule 14 (Other Receipts).

The purpose of Statement B (Receipts & Disbursements) is to report the flow of cash in and out of your organization during the reporting period. Since Statement B reports all cash flowing in and out of your organization, "netting" is not permitted. "Netting" is offsetting of receipts against disbursements and reporting on the balance (net) as either a receipt or disbursement. The amount received from the officers and employees as reimbursements should have been reported in Item 48 (Other Receipts). The \$2,971.05 disbursed for either the officer or the vendor should have been included in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) and/or Schedules 15 through 19 depending on the type of expenses.

I am not requiring that Local 1473 file an amended LM report for 2008 to correct the deficient items, but Local 1473 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Use of Signature Stamp

During the audit, you advised that it is Local 1473's practice for Bookkeeper Mary Bujanowski to prepare all union checks and to stamp your signature and the signature of Secretary Treasurer Grant Withers union checks. Article IX, Section C of Local 1473's bylaws requires that checks be signed by two of the three trustees (president, secretary treasurer, or executive board member). 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, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1473 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Food & Commercial Workers Local 1473 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: Mr. Grant Withers, Secretary Treasurer
Ms. Patricia Donovan, Office Manager