

U.S. Department of Labor

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December 8, 2009

Mr. Rick Priebe, President
Food & Commercial Workers Local 245
647 Seymour Street
Seymour, WI 54165

LM File Number: 037-084
Case Number: [REDACTED]

Dear Mr. Priebe:

This office has recently completed an audit of Food & Commercial Workers Local 245 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 Carla Luedeman today, 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 245's 2008 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 245 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$360. 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.

Local 245 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, all meal expenses charged to the union credit card failed to provide the names and titles of those present. In addition, the purposes listed (e.g. "meals") in the records were not sufficiently descriptive. 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.

2. Lost Wages

Local 245 did not retain adequate documentation for lost wage reimbursement payments to officers totaling at least \$2,100. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The audit found that Local 245 did not always identify on the lost wage worksheets the union business conducted.

During the exit interview, I provided a sample of an expense voucher Local 245 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

3. Receipt Dates and Sources not Recorded

Entries in Local 245's general ledger reflect monthly aggregated receipt totals and do not identify the date money was received, the sources, or the individual amounts. Receipts records must show the date, amount, and source of all receipts.

The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in reporting some receipts on the LM-3 for a different year than the year it actually received them.

4. Voided Checks and Credit Card Statements

During the audit, Treasurer Luedeman stated that she destroys all voided checks. In addition, the audit revealed that some credit card statements issued were not retained in the union records because no charges were incurred that month. Voided checks, credit card statements, and all original bills, invoices, receipts, vouchers, and applicable resolutions must be retained to verify, clarify, and support the information reported by labor organizations on LM reports.

5. Lack of Salary Authorization

Local 245 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and were therefore correctly reported. In addition, during 2008 Ms. Luedeman received a salary increase, which was not recorded in any union record. Local 245 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 245 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-3) filed by Local 245 for fiscal year ending December 31, 2008, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away gift cards to its membership totaling \$3,750 during the year. 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."

2. Disbursements to Officers

Local 245 did not include reimbursements to officers totaling at least \$500 in the amounts reported Item 24 (All Officers and Disbursements to Officers). For example, you incurred at least \$360 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 Column E (Allowances and Other Disbursements). 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. Local 245 reported no payments to officers in Column E of Item 24. It appears these payments were erroneously reported in Items 48 (Office and Administration) and/or Item 54 (Other Disbursements).

Most direct disbursements to Local245 officers and some indirect disbursements made on behalf of its officers must be reported in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) 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 Expense).

3. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 245 amended its constitution and bylaws in 2005, but did not file a copy with its LM report for that year. Local 245 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 245 file an amended LM report for 2008 to correct the deficient items, but Local 245 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Food & Commercial Workers Local 245 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: Ms. Carla Luedeman, Treasurer