

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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October 7, 2005

Dawn Martin, Business Manager
OPEIU Local 9
6333 W. Bluemound Rd.
Milwaukee, WI 53213-4146

Re: ✓

Dear Ms. Martin:

This office has recently completed an audit of OPEIU LU 9 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 and Office Administrator Gail Brull on October 6, 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 Local 9 did not report the purchase of two computers in item 52 on the Labor Organization Annual Report (Form LM-3) for fiscal year ending December 31, 2004. In October 2004, Local 9 purchased two computers for \$2,699. Item 52 must include disbursements for all fixed assets purchased by your organization. The LM-3 instructions include additional information on the reporting of the purchase of fixed assets and investments.

Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained. Records must 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. Additional documentation may be necessary in order to explain 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. The audit revealed that Local 9 did not record the purpose and the names of individuals present for meal or beverage expenses made using the union credit card. In the case of credit card expenses and reimbursed expenses incurred by union officers and employees, the date, amount, and business purpose of every expense must be recorded on at least one

union record. In addition, the names of individuals present for meal or beverage expenses paid for by Local 9 and the locations (names of restaurants or bars) where meal and/or beverage expenses were incurred must also be recorded. Any documentation provided by vendors for expenses must be retained. In the rare event that a vendor does not provide an officer or employee with documentation for an expense, the individual who incurred the expense should clearly identify the date, amount, purpose, and location where the expense was incurred on a separate record and indicate that a receipt was not provided to them for the expense.

2. During the organizational interview, you and Ms. Brull advised that Local 9 does not maintain an inventory list. Labor organizations must maintain records to support the figures reported on the LM reports. Local 9 reported \$4,498 in fixed assets on the 2004 LM-3 but retains no inventory records to support this figure. Local 9 must maintain an inventory of all physical assets.
3. The audit revealed that Local 9 did not record receiving checks and cash from members for the purchase of t-shirts and failed to retain an inventory of shirts. Records must be retained which account for all union property. Union receipt records must include an adequate identification of each 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. A separate record should also be retained for the items that are given away. This would include a description of the item, the approximate cost of the item, the number of items given away, as well as the recipients of the items.
4. The audit revealed that vouchers for lost time are maintained by Local 9, but the vouchers do not record the specific purpose for the lost time. If Local 9 uses the same vouchers but adds a section for including the specific union purpose for the lost time, they are in compliance with record keeping requirements.
5. The CAP revealed Local 9 did not maintain adequate records for the certificates of deposit. Records maintained for the certificates of deposit were insufficient to identify the balances at the beginning and end of the fiscal years. The figures recorded in the QuickBooks general ledger were inaccurate in that Local 9 recorded CD interest after they received the bank statement instead of the actual date the interest was added to the CD balance.

Other Issues

1. 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 9's officers and employees were bonded for \$10,000, and as of May 16, 2005, are now

bonded for \$40,000. This covers the required bonding of at least \$36,024. Local 9 should continue to maintain adequate bonding coverage for its officers and employees.

2. During the audit, Ms. Brull advised that it is Local 9's practice for her to use signature stamps when signatories are not available to sign checks. Ms. Brull also indicated that when no approving officers are available, no one but her reviews the checks before they are issued. Your union's bylaws state that checks are to be signed by two signatories: Business Manager Martin, President Mahler, or Vice-President Schmidt. The signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document by two agents of the labor organization. However, the use of signature stamps for both signatures by a non-signatory does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the countersignature requirement. You may want to revise this aspect of your check disbursement procedures.

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 Ms. Mahler's successors at whatever time you may leave office.

I want to extend my personal appreciation for your and Ms. Brull'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,

FCC

Investigator

cc: Candy M. Mahler, President

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