



September 30, 2010

Mr. Dan Uschan, President
Electrical Workers AFL-CIO Local 890
17 S. River Street
Janesville, WI 53548

Case Number: [REDACTED]
LM Number: 053-904

Dear Mr. Uschan:

This office has recently completed an audit of Electrical Workers AFL-CIO Local 890 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 Business Manager/ Financial Secretary Leo Sokolik and Accountant Cindy Visgar from EZ Accounting on September 16, 2010, 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 890's 2009 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Entries in Local 890's QuickBooks Accounting software for rental receipts totaling at least \$117,700 reflect the date the money was deposited but not the date money was received. Accountant Cindy Visgar confirmed that Local 890 entered the date the rental receipts were deposited and not the date the rental receipts were received in QuickBooks. Receipts records must show the date of receipt.

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-2. The LM-2 instructions for Statement B state that receipts must be recorded when money is actually received, and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received.

2. Disbursements to Vendors, Reimbursements to Officers, and Credit Card Expenses

Local 1155 did not retain adequate documentation for disbursements to vendors, payments to Business Manager/Financial Secretary Sokolik, and credit card expenses incurred by Mr. Sokolik and Referral Agent/Organizer Jason Heidenreich totaling at least \$1,270. For example, supporting documentation was not retained for some gasoline purchases charged to the union credit cards assigned to Mr. Sokolik and Mr. Heidenreich. As another example, Local 890 did not require officers and employees to submit itemized meal receipts for some meal expenses. In the case of meal expenses, Local 890 only retained the credit card signature receipt showing the name of the vendor, the date, and the amount of the expense.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. 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. 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. 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.

Based on your assurance that Local 890 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 502(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) filed by Local 890 for fiscal year ended June 30, 2009 was deficient in the following areas:

1. Acquire/Dispose of Property

Item 15 (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 Local 890 gave away, t-shirts, license plate covers, sweatshirts, and prizes at the annual holiday party totaling more than \$3,400 during the year. For example, Secretary Kara Radloff stated during the audit that Local 890 gives away a free t-shirt to members that pay their yearly union dues in single payment. As another example, a review the general ledger, credit card statements, and supporting documentation revealed that at least \$1,570 in gift cards and prizes were purchased from various retailers for the raffle at Local 890's holiday party. 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 and Employees

Local 890 did not include some indirect disbursements to officers and employees totaling at least \$5,750 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). Local 890's credit card statements and expense vouchers for the audit year indicate that Mr. Sokolik and Mr. Heidenreich received direct and indirect disbursements totaling \$6,750. However, the total amounts reported in Column F (Disbursements for Official Business) of Schedules 11 and 12 total only \$1,000. It appears that these payments were erroneously reported in Item 5 (All Other Disbursements) on the Detailed Summary Page for 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. 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 890 amended its constitution and bylaws in 2005, but did not file a copy with its LM report for that year.

Local 890 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 890 file an amended LM report for 2009 to correct the deficient items, but Local 890 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Electrical Workers Local 890 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,



Senior Investigator

cc: Mr. Leo Sokolik, Business Manager/ Financial Secretary