



July 14, 2016

Ms. Candy Johnson, President
Office & Professional Employees AFL-CIO Local 9
6333 West Bluemound Road
Milwaukee, WI 53213-4146

Case Number: 320-6007356
LM Number: 011712

Dear Ms. Johnson:

This office has recently completed an audit of Office & Professional Employees AFL-CIO Local 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, Secretary-Treasurer Jacqueline Podjaski, Business Manager Dave Rehberg, and Administrative Assistant Gail Brull on July 6, 2016, 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 9's 2015 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and Credit Card Expenses

Local 9 did not retain adequate documentation for disbursements to vendors and six credit card expenses incurred by Mr. Rehberg totaling at least \$1,544. For example, adequate supporting documentation was not retained for a \$90 check issued to the OPEIU Education

Department on March 31, 2015 for a registration fee for Mr. Rehberg to attend an OPEIU educational conference. In support of this payment, Local 9 only retained an entry in the QuickBooks general ledger, which is not sufficient. As another example, adequate supporting documentation was not retained for a \$232.18 charge Mr. Rehberg made to Spirit Air on March 18, 2015 for airfare to attend an OPEIU educational conference in Atlantic City, NJ. In support of this expense, Local 9 only retained a credit card statement, which is not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Reimbursed Auto Expenses

Recording Secretary Kaitlyn DeCero, who received reimbursement for the business use of her personal vehicle, did not retain adequate documentation to support payments to her totaling at least \$548 in 2015. Ms. DeCero's mileage reimbursements were claimed on expense vouchers that normally identified the total mileage expenses, the total miles driven, the dates of travel, the locations traveled to, and the union business conducted; however, the expense vouchers were not sufficient because they failed to identify the locations traveled from. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Disposition of Property

The audit revealed that Local 9 purchased tee-shirts totaling \$1,254 in 2012 and purchased service pins totaling at least \$155 in 2015 that were given away to members during 2015. While Local 9 retained records that identify persons who received service pins and tee-shirts, it did not maintain records that identified the items (and their value) that were on hand at the beginning and end of the year. Records must be retained which account for all union property. In the case of service pins, tee-shirts, or other items sold or given away to members, records must be maintained to clarify and support information required to be reported by Local 9 in Statements A and B of the Labor Organization Annual Report (Form LM-2). The value of any service pins, tee-shirts, or similar property on hand at the beginning and end of the year should be reported in Item 28 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the Form LM-2 with the identity of the recipient(s) or donor of such property.

4. Receipt Dates not Recorded and Failure to Maintain Receipt Records

The audit revealed that entries in Local 9's QuickBooks general ledger reflect the date the union deposited money, but not the date money was received, for receipts from the sale of yard signs and a reimbursement from the OPEIU for travel expenses incurred by Mr. Rehberg totaling at least \$1,570. Union 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 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 the union reporting some receipts for a different year than when it actually received them.

Additionally, the audit revealed that it is Local 9 Administrative Assistant Gail Brull's policy to destroy all employer checkoff statements and/or check statements that are more than 12 months old. During the exit interview, Ms. Brull stated that she destroyed the checkoff statements because the information contained in the statements was also recorded in Local 9's receipts database in Access. As noted above, 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 and that as a general rule, labor organizations must maintain all records used or received in the course of union business.

5. Lack of Salary, Allowances, and Benefits Authorization

The audit revealed that Local 9 did not maintain records to verify that the salaries and allowances reported in Columns D (Gross Salary Disbursements) and E (Allowances Disbursed) of Schedule 12 (Disbursements To Employees) and the benefits reported in Schedule 20 (Benefits) of the LM-2 were the authorized amounts and therefore correctly reported. The audit revealed that Local 9's executive board approved an employment agreement between Local 9 and Mr. Rehberg on January 20, 2015, which established Mr. Rehberg's salary, allowances, and benefits for 2015; however, a copy of this agreement could not be found in Local 9's records. During the audit, you confirmed Mr. Rehberg's authorized salary, allowances, and benefits for 2015 and stated that Local 9's executive board discussed Mr. Rehberg's 2015 employment agreement and approved it, but failed to draft a formal agreement to be signed by Local 9 and Mr. Rehberg.

The union must keep a record, such as meeting minutes or an employment agreement, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries. Although OLMS does not recommend one best policy for authorizing benefit payments or allowances, it strongly recommends a written policy approved by the governing body to ensure compliance with the LMRDA and to safeguard union assets. This authorization should be documented in at least one union record. There

is now a signed employment agreement between Local 9 and Mr. Rehberg that authorizes his current salary, allowances, and benefits for 2016.

Based on your assurance that Local 9 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(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 9 amended its bylaws in 2010, but did not file a copy with its LM report for that year. Local 9 has now filed a copy of its current bylaws.

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) filed by Local 8 for the fiscal year ended (FYE) June 30, 2015, 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 9 gave away service pins and tee-shirts totaling at least \$367 to members during 2015. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Employees

The audit revealed that Local 9 did not include bonuses totaling at least \$200 in the amounts reported in Schedule 12, Column D, as follows: Mr. Rehberg \$100 and Ms. Brull \$100. Additionally, Local 9 did not include cell phone allowances to Mr. Rehberg totaling at least \$480 in the amounts reported in Schedule 12, Column E. It appears that Local 9 erroneously reported Mr. Rehberg's and Ms. Brull's bonuses in Schedule 12, Column F (Disbursements for Official Business) rather than in Column D; additionally, it appears that Local 9 erroneously reported Mr. Rehberg's cell phone allowance payments in Schedules 15-19.

The union must report in Column D of Schedules 11 (All Officers and Disbursements to Officers) and 12 gross salaries (before tax withholdings and other payroll deductions) of union personnel, including disbursements for "lost time," time devoted to union activities, and cash bonuses. The union must report in Column E of Schedules 11 and 12 any direct

or indirect disbursements to union personnel for allowances made on a daily, weekly, monthly, or other periodic basis. However, do not include allowances paid on the basis of mileage or meals, which must be reported in Column F or G (Other Disbursements not reported in (D) through (F)), as applicable. The union must report in Column F of Schedules 11 and 12 direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 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. The union must report in Column G of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

I am not requiring that Local 9 file an amended LM report for 2015 to correct the deficient items, but Local 9 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Use of Signature Stamp

During the opening interview, you stated that Local 9 has signature stamps for all three of its check signatories and that Ms. Brull is allowed to stamp one or both signatures on a check, if check signers aren't available. You further stated that Ms. Brull only stamps checks at the direction of Mr. Rehberg and that Mr. Rehberg is required to get approval from you before authorizing Ms. Brull to stamp one or both signatures on a check. You also stated that all three signature stamps are stored in Ms. Brull's desk. The purpose of the first signature is to attest to the authenticity of a completed document. The purpose of the second signature requirement is to attest to the authenticity of a completed document that is already signed. However, the use of a signature stamp for one or both signers by Ms. Brull does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the two signature requirement. OLMS strongly recommends that Local 9 review these procedures to improve internal control of union funds.

2. Payroll Tax Withholdings

The audit revealed that the Local 9 may not be properly following state or federal requirements for withholding of payroll taxes from monthly car and cell phone allowance payments made to Mr. Rehberg. During 2015, Local 9 did not withhold taxes from car and cell phone allowance payments made to Mr. Rehberg totaling \$6,780.

While OLMS has no authority to interpret the state or federal tax code, it is my understanding that if an employer pays allowances for things such as cell phone and vehicle expenses using "non-accountable plans" then the entire amount paid to an

employee for the allowances is subject to income tax and employment tax. Local 9 is advised to consult with your accountant, the Wisconsin Department of Revenue in Milwaukee at (414) 227-4000 (ask for the publication “Wisconsin Employer’s Withholding Tax Guide”), or the Internal Revenue Service in Waukesha at (262) 513-3496 (ask for “Circular E, Employer’s Tax Guide” and “Publication 463, Travel, Entertainment, Gift, and Car Expenses”).

I want to extend my personal appreciation to Office & Professional Employees Local 9 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. Jacqueline Podjaski, Secretary-Treasurer
Mr. Dave Rehberg, Business Manager
Ms. Gail Brull, Administrative Assistant