

U.S. Department of Labor

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May 20, 2009

Mr. Michael Conrad, President
Transportation Union Local 583
1479 Hunter Avenue
Fond du Lac, WI 54935

LM File Number: 541-908
Case Number: [REDACTED]

Dear Mr. Conrad:

This office has recently completed an audit of the Transportation Union Local 583 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 Anthony Macareo, and Local Chair Scott Seggerman on May 11, 2009, 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 583's 2008 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Entries in Local 583's receipts journal reflect the date the union deposited money, but not the date money was received. During the opening interview, Mr. Macareo stated that he always deposits receipts within a few days of receiving them and then enters the receipts into the ledger using the deposit date. 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-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 the union reporting some receipts for a different year than when it actually received them.

2. Reimbursed Auto Expenses

Union officers and employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$500 during 2008. Local 583 requires that mileage be documented on a union voucher (also known as a bill of allowance), however, many vouchers failed to identify an adequate description of the union business purpose that required the use of a personal vehicle nor did they identify specific travel locations. 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. Meal Expenses

Local 583 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$200. The union must maintain itemized receipts provided by restaurants to officers and employees. 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, Local 583 records of meal expenses did not always include written explanations of the union business conducted or the names and titles of the persons incurring the restaurant charges. For example, check [REDACTED] payable to Mr. Seggerman included reimbursement for meal expenses totaling more than \$60; however, no union business purpose was identified nor were the names of the persons present for the meals identified. Union 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.

4. General Reimbursed and Credit Card Expenses

Adequate documentation was not retained for at least \$3,500 of reimbursed expenses paid to union officers during 2008, including cell phone expenses and office supply expenses.

Mr. Seggerman and Legislative Representative Craig Peachy received reimbursement for their monthly cell phone bill; however, the documentation submitted in support of these expenses included photo copies of bills and partial billing statements. If Local 583 directly pays the personal cell phone bills of union personnel or reimburses union personnel for any portion of their cell phone expenses, the union must retain original phone bills and additional information clarifying the charges paid by the union.

Additionally, documentation retained by Local 583 for over \$200 in reimbursed office supply expenses was inadequate in that either no documentation was retained or the documentation in the union's records included only a photocopy of the original invoice.

As previously 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.

5. Lost Wages

Local 583 did not retain adequate documentation for lost wage reimbursement payments to officers and employees totaling more than \$5,000. 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 583 requires claims for lost wages be submitted to the union for reimbursement on a lost wage and expense voucher (also known as a bill of allowance), however the information included on many requests for wages did not identify the specific dates for which lost wages were being claimed, nor did the vouchers adequately identify the union business that was being conducted.

During the exit interview, I provided a sample of an expense voucher Local 583 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.

Based on your assurance that Local 583 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 LM-3 filed by Local 583 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Dues

Members of Local 583 have the option to participate in the Discipline Insurance Protection Program (DIPP) and those who elect to do so have their monthly premiums deducted by the company along with their monthly dues and those amounts are remitted to the local by way of one monthly check from Canadian National. In 2007, the premiums remitted to Local 583 for this program were in excess of \$25,000. These premium payments were incorrectly reported in Item 38 (dues) as dues money. Receipts to Local 583 for insurance premiums must be reported in Item 43 (other receipts).

I am not requiring that Local 583 file an amended LM report for 2007 to correct the deficient item, but Local 583 has agreed to properly report the deficient item on all future reports it files with OLMS.

2. 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 583 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year. Local 583 has now filed a copy of its most current constitution and bylaws.

Other Issues

1. Lost Wage and Expense Policy

Mr. Macareo advised at the opening interview that Local 583 pays wages to officers and employees for any wages lost while conducting union business and that the local does not compensate officers or employees for their personal time spent doing union business. The audit revealed that this is an unwritten policy that the local has been operating under for many years. The audit also revealed that Local 583 lacks a clear written policy regarding the payment of per diem and/or meal expenses. During the exit interview, both you and Mr. Macareo advised that Local 583 now has made it a practice to pay actual meal expenses instead of per diem (as provided for in your union's by-laws). OLMS recommends that your union adopt and follow written guidelines for the payment or reimbursement of expenses and lost wages as such policies can help ensure effective control over union finances.

2. Signing Blank Checks

During the audit, Mr. Macareo advised that you sign blank checks. Local 583 requires that all checks be signed by the president (or vice president) and secretary-treasurer. 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two

signature requirement. OLMS recommends that Local 583 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Transportation Union Local 583 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: Anthony Macareo, Secretary Treasurer
Scott Seggerman, Local Chairman
Eugene Lund, Trustee