



October 31, 2013

Mr. Brian Brath, President
Machinists AFL-CIO Lodge 873
258 Barstow Street
Horicon, WI 53032

Case Number: 320-3308848 ()
LM Number: 028632

Dear Mr. Brath:

This office has recently completed an audit of Machinists AFL-CIO Lodge 873 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 Financial Secretary/Treasurer David Berezinski, Grand Lodge Auditor Rick Fischer, and you on October 1, 2013, 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 Lodge 873's 2012 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and General Reimbursed Expenses

Lodge 873 did not retain adequate documentation for five checks that were issued to various hotel chains for lodging expenses and reimbursed meal expenses incurred by you totaling at

least \$4,234. For example, Lodge 873 failed to retain adequate supporting documentation for a \$103.92 meal expense incurred at Ginger's Hide-Away Restaurant for which you were reimbursed on March 2, 2012. In support of this expense, Lodge 873 retained a voucher and itemized receipt for the meal, but failed to identify the names and titles of the people present for the meal in the union's records.

As another example, Lodge 873 did not retain adequate supporting documentation for check [REDACTED] for \$1,154.34 that was issued to a Radisson Hotel on June 26, 2012 for Mr. Berezinski, Ms. Pillsbury, and your lodging at the Wisconsin State Council of Machinists. In support of this check, Lodge 873 only retained a check stub and the conference call for the Wisconsin State Council of Machinists; the hotel bills were missing from union records.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. In the case of meal expenses, records retained 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, and itemized receipts must be retained to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. 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.

2. Reimbursed Auto Expenses

Shop Committee Chair Joseph Terlisner, SCFLC Delegate Darrel Schepp, Executive Board Member Yolanda Pillsbury, Ms. Ryan, [REDACTED], and you received reimbursement for business use of your personal vehicles, but did not retain adequate documentation to support payments to them totaling at least \$2,613 during 2012. Mileage reimbursements were claimed on expense vouchers that normally identified the dates of travel, the number of miles driven each day, the mileage rate claimed, and the total miles driven; however, expense vouchers were not sufficient because in many instances they failed to identify the union business conducted that required the mileage expenses and did not identify the locations traveled to and from.

Lodge 873 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.

At the exit interview, Mr. Berezinski and you stated that officers and employees are now required to complete a mileage log for all mileage claims that contains the required information.

3. Lost Wages

Lodge 873 did not retain adequate supporting documentation for lost wage reimbursement payments to Ms. Ryan and you totaling at least \$2,106.74. Records must be maintained 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 Lodge 873 retained vouchers for lost wage reimbursements, but in some instances the vouchers were not sufficient in that officers did not identify each date that the lost wages were incurred.

4. Salary Payments

Lodge 873 did not retain adequate supporting documentation to substantiate salary payments to Mr. Berezinski during 2012. Article II Section 6 of Lodge 873's bylaws state that the secretary-treasurer's salary is equal to \$0.86 per full dues paying member. Mr. Berezinski stated he generally issued a salary check to himself each month by multiplying the number of full dues paying members as reflected on his voucher and in the monthly meeting minutes by \$0.86. However, during 2012 Mr. Berezinski issued 7 additional salary payments to himself totaling at least \$342 for additional members that joined Lodge 873 and were re-initiated by Lodge 873 after his monthly salary check had been issued. During the audit, Mr. Berezinski was unable to explain or provide documentation to support how the amounts of the retroactive salary payments were determined. The union must keep records to show the current salary authorized by the entity or individual in the union with the authority to establish salaries, and in cases such as this, records that show how the salary payments were calculated must also be retained.

Based on your assurance that Lodge 873 will retain adequate supporting 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-2) filed by Lodge 873 for the fiscal year ended December 31, 2012, was deficient in the following areas:

1. Disbursements to Officers

Lodge 873 did not include some reimbursed expenses to Vice President Theresa Wagner, Mr. Berezinski, [REDACTED], [REDACTED], and you totaling at least \$298 in Schedule 11 (All Officers and Disbursements to Officers). Lodge 873's expense vouchers for the audit year indicate that Ms. Wagner, Mr. Berezinski, [REDACTED], [REDACTED], and you received reimbursed expenses totaling \$24,446. However, the total amount reported in Column F (Disbursements for Official Business) of Schedule 11 is \$24,148. During the exit interview, Mr. Fischer and Mr. Berezinski indicated that the

reimbursed expenses were not included in the totals reported in Schedule 11 because they were misclassified in the Virtual Financial Office (VFO) software used by the lodge. It appears that some payments were erroneously included in the amounts reported in Item 5 (All Other Disbursements) of Schedule 18 (General Overhead) and Schedule 19 (Union Administration).

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.

2. 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?) was answered, "Yes," because Lodge 873 gave away union apparel to new members, to retirees, and as door prizes at union meetings; however, Lodge 873 failed to identify on the LM report the specific union apparel and the value of the apparel that was given away to members in Item 69 (Additional Information). 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."

3. Failure to Itemize Disbursement

Lodge 873 did not properly report a "major" disbursement in Schedule 18 (General Overhead). A "major" disbursement includes: 1) any individual disbursement of \$5,000 or more; or 2) total disbursements to any single entity or individual that aggregate to \$5,000 or more during the reporting period. The audit found that Lodge 873 issued 12 payments to Alliant Energy totaling \$6,972; however, at Lodge 873 did not report those disbursements on an itemization page for Alliant Energy for Schedule 18.

I am not requiring that Lodge 873 file an amended LM report for 2012 to correct the deficient items, but Lodge 873 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Lost Time Policy for the Payment of Lost Overtime

During the opening interview, Grand Lodge Auditor Rick Fischer stated that the Grand Lodge's unwritten lost time policy is that local lodges should not reimburse union officers and employees for lost overtime. Lodge 873's lost time policy in its bylaws states "All members of the union on authorized union business shall be compensated by the Lodge for all wages and fringe benefits lost thereby," and "...Lost time paid by union will be paid 8 hours per day, up to 40 hours per week, excluding Saturday and Sunday, for conferences, conventions, seminars and schools..." During the opening interview, Mr. Berezinski stated that he did not know if Lodge 873 reimbursed officers for lost overtime. A review of the lost wage claims paid to 6 officers and employees revealed that Lodge 873 reimbursed 5 of the officers for 48.75 hours of lost overtime totaling \$1,524.59 during the audit year. During the exit interview, you stated that it was Lodge 873's policy to reimburse officers and employees for lost overtime from John Deere, and the payments made during the audit year were properly authorized; however, it is no longer Lodge 873's practice to reimburse lost overtime to officers and employees. You stated that Lodge 873's current policy is to not pay lost wages of more than eight hours per day between the hours worked at John Deere Horicon Works and the lost time hours claimed with Lodge 873.

To ensure proper internal financial control over union disbursements, OLMS recommends that unions establish best practices for administering lost time payments by: (1) adopting clear policies and procedures for making lost time and similar payments; and (2) use vouchers that require detailed information to support lost time payments. During the exit interview, Mr. Berezinski and you stated that Lodge 873 will consider revising its lost time policy in Lodge 873's bylaws to clarify that Lodge 873 does not reimburse lost overtime.

I want to extend my personal appreciation to Machinists Lodge 873 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. David Berezinski, Financial Secretary/Treasurer
Mr. Rick Fischer, Grand Lodge Auditor