

**U.S. Department of Labor**

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October 15, 2009

Mr. Rod Rice, President  
Glass, Molders, Plastics Local 121-B  
P.O. Box 159  
Neenah, WI 54957-0159

LM File Number: 025-182  
Case Number: [REDACTED]

Dear Mr. Rice:

This office has recently completed an audit of Glass, Molders, Plastics Local 121-B 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 Steve Kofnetka on October 14, 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 121-B's 2008 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 121-B did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers totaling at least \$5,200. For example, Local 121-B officers did not retain any supporting documentation for charges on the union credit card totaling at least \$1,400. Credit card statements alone are not sufficient to fulfill the recordkeeping requirement.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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. Meal Expenses

Local 121-B did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$150. Itemized receipts provided by restaurants to officers and employees must be maintained. 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 121-B records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. 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.

3. Lost Wages

Local 121-B did not retain adequate documentation for lost wage reimbursement payments to officers totaling at least \$10,000. 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 121-B did not always identify on the lost wage worksheets the union business conducted.

In addition, the records retained by Local 121-B do not clearly reflect how the lost time payments made were calculated. Financial Secretary Steve Kofnetka advised that it is the policy of Local 121-B to reimburse officers and employees for any wages lost, including any overtime wages. However, the vouchers retained in support of lost wage claims do not identify those claims that include pay for lost overtime. (All of the hours claimed are reported as "straight time" hours lost.)

During the exit interview, I provided a sample of an expense voucher Local 121-B may use to satisfy the recordkeeping requirements. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

#### 4. Other Expenses

Adequate documentation was not retained for some disbursements related to training and the annual union party. For example, Local 121-B paid \$1,600 to Choice's Catering for food and refreshments at the annual union party. However, no receipt or other supporting documentation could be found in the records for that disbursement. As another example, 121-B disbursed over \$1,400 for lodging and course fees for four stewards to attend School of Workers, but no documentation was retained to support that disbursement. As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements.

#### 5. Disposition of Property

The audit revealed that or you advised that Local 121 purchased and gave away shirts, bibles, hats, and other property. You advised that a supply of these items were on hand at the beginning and end of the year. However, Local 121-B did not maintain records that identify the items that were on hand at the beginning or end of the year. . The value of any union property on hand at the beginning and end of each year must be reported in Item 30 (Other Assets) of the Labor Organization Annual Report (Form LM-3). An inventory or similar record of property on hand

must be maintained to verify, clarify, and explain the information that must be reported in Item 30.

Based on your assurance that Local 121-B 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 (Form LM-3) filed by Local 121-B for fiscal year ending October 31, 2008, was deficient in the following areas:

#### 1. Acquire/Dispose of Property

Item 13 (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 the union gave away gift cards, bibles, and candy totaling more than \$2,300 during the year. 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

Local 121-B did not include some reimbursements to officers totaling at least \$3,700 in the amounts reported Item 24 (All Officers and Disbursements to Officers). For example, Vice President Martin Penney was reimbursed at least \$3,700 for a deposit he put on his personal credit card for the quadrennial convention. However, only \$976 was reported next to his name in Column E (All Other Disbursements) of Item 24. It appears that part of this disbursement was erroneously included in the amount reported in Item 54 (Other Disbursements).

In addition, Local 121-B did not correctly report "lost vacation time payments," to officers totaling at least \$2,000, in Column D (Gross Salary Disbursements). Financial Secretary Steve Kofnetka advised that when officers are absent from

Neenah Found, they lose related vacation time provided by the employer because vacation allotments are based on wages earned. Local 121-B reimburses the officers for the loss of that vacation time. For example, you were reimbursed for vacation time lost in the amount of \$952.88. However, this amount was not included in the amount listed next to your name in Column D. These payments were erroneously reported in Column E (All Other Disbursements).

Most direct disbursements to Local 121-B officers and some indirect disbursements made on behalf of its officers must be reported in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

### 3. Other Assets

As previously noted above, Local 121-B had t-shirts, hats, and bibles-on hand at the beginning and end of the fiscal year. However, the value of those items were not in Item 30 (Other Assets). The LM-3 instructions state, enter in Columns A and B the total value as shown on your organization's books at the start and end of the reporting period of all assets) which have not been reported in Items 25 (Cash), 26 (Loans Receivable), 27 (U.S. Treasurer Securities), 28 (Investments) and 29 (Fixed Assets). Local 121-B erroneously omitted the value of these assets from the LM-3 report.

I am not requiring that Local 121-B file an amended LM report for 2008 to correct the deficient items, but Local 121-B has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issue

Lost Wage & Lost Vacation Policy

Financial Secretary Steve Kofnetka advised during the opening interview that Local 121-B pays wages to officers and employees for any wages lost while conducting union business as well as a premium for lost over time. In addition, Local 121-B reimburses officers and employees for vacation pay lost while conducting union business. The audit revealed that this is an unwritten policy that the local has been operating under for many years. OLMS recommends Local 121-B adopt written guidelines for reimbursement of lost wages and lost vacation payments as such policies can help ensure effective control over union finances.

I want to extend my personal appreciation to Glass, Molders, Plastics Local 121-B 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: Mr. Steve Kofnetka, Financial Secretary