



November 16, 2015

Mr. Steve Johnson, President
United Staff Union of Wisconsin



Case Number: 320-6006228()
LM Number: 519089

Dear Mr. Johnson:

This office has recently completed an audit of United Staff Union of Wisconsin (USU) 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 Treasurer Bonnie Breivogel, Vice President Dave Campshure, and former Secretary [REDACTED] on November 13, 2015, 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 USU's 2015 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Entries in USU's QuickBooks Check Register reflect the date the treasurer entered the receipt in the register, but not the date money was received. During the audit, Treasurer Bonnie Breivogel confirmed that she enters receipts and deposits in the union's QuickBooks check register using the date she is working on the books, not the date the union received the money. 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.

2. Reimbursed Auto Expenses

Officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$2,300 during 2015. Although all mileage claims were documented on expense forms maintained by the USU, the claims failed to adequately identify the starting and ending destinations of travel for each trip. 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.

Based on your assurance that USU 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-2) filed by USU for the fiscal year ended August 31, 2014 was deficient in the following areas:

1. Disbursements to Officers

The USU did not include meal expenses totaling more than \$700 in meal expenses that former President Fred Andrist incurred on the union's credit card in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers). The union's outside accountant confirmed that those expenses were erroneously reported in Schedules 15 (Representational Activities).

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) 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 (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

2. Dues Receipts

The amount reported by the USU in Item 36 (Dues) erroneously includes more than \$4,000 collected by the USU for the purpose of remittance to the National Staff Organization's (NSO) Crisis Fund. According to Treasurer Breivogel, members are required to pay \$25 per year to the NSO Crisis Fund. The audit found that all members, except those employed by the Milwaukee Teachers Education Association (MTEA), had the \$25 fee deducted evenly from their bimonthly paychecks (\$1.04/pay period). The MTEA members paid the NSO Crisis Fund fee by way of a one-time annual deduction. The NSO Crisis Fund money was a separate deduction made by the employer in addition to the regular monthly dues deductions. All amounts deducted by employers for the NSO Crisis Fund was remitted to the USU with the regular monthly dues on the dues check-off check.

The NSO Crisis Fund receipts is money collected by the USU on behalf of an affiliate (NSO) and must be reported in Item 46 (On Behalf of Affiliates for Transmittal to Them.) Likewise, the payment from the USU to the NSO for the remittance of the Crisis Fund receipts must be reported in Item 63 (To Affiliates for Funds Collected on Their Behalf). It appears the USU erroneously included the payment to the NSO for the remittance of Crisis Fund money in Schedules 15-19.

I am not requiring that the USU file an amended LM report for 2014 to correct the deficient items, but the USU has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Signatories on Financial Accounts

The audit revealed that during fiscal years ended August 31, 2014 and August 31, 2015, the USU held an investment account worth more than \$1,000,000 at Fidelity. During most of the 2014 fiscal year, the USU was unable to access the investment account because the only signer on the account at the time was former member [REDACTED], who moved out of the state after leaving the USU. The USU has since regained access to the investment account and Vice President Dave Campshure is currently the only signatory on the account. Based on the union's

previous experience with a single signatory on the investment account and the weak internal controls associated with having one person responsible for a significant portion of the union's assets, OLMS recommends that the USU review this practice and consider adding a second signatory on the investment account to improve internal control of union funds.

In addition, the USU's bylaws require only the treasurer's signature on all checks issued from the union's accounts. However, the USU policies also provide that neither the president nor the treasurer can approve his or her own vouchers. The audit revealed that Treasurer Breivogel affixes the president's digital signature on checks issued to her for her expense vouchers after obtaining verbal approval from the president. While this practice does not technically violate the union's policies, the policy appears to be in place as a form of internal control over the disbursement of union funds. The purpose of a handwritten signature on a union check is to attest to the authenticity of a completed check. However, the treasurer's use of the president's digital signature stamp does not attest to the authenticity of the check completed by the treasurer and negates the implied purpose of the internal control in this policy. OLMS recommends that USU review this disbursement procedure to improve internal control of union funds.

I want to extend my personal appreciation to United Staff Union of Wisconsin 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Ms. Bonnie Breivogel, Treasurer
Mr. Dave Campshure, Vice President