

U.S. Department of Labor

**Employment Standards Administration
Office of Labor-Management Standards
Milwaukee District Office
310 West Wisconsin Avenue, Suite 1160
Milwaukee, WI 53203
(414)297-1501 Fax: (414)297-1685**



June 26, 2008

Mr. Perry Graves, President
Auto Workers Local 578
2920 Oregon Street
Oshkosh, WI 54901

LM File Number: 040-475
Case Number: [REDACTED]

Dear Mr. Graves:

This office has recently completed an audit of Auto Workers Local 578 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 and International Representative Jay Kopplin on the above date, 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 578's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 578 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by Local 578 officers and employees totaling at least \$3,279.84. For example, Local 578 obtained a vendor credit card for Mills Fleet Farm to purchase supplies. During the audit year, Local 578 incurred \$705.63 in expenses for which no supporting documentation was retained. 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. Picnic Expenses

Adequate documentation was not retained for some disbursements related to activities and social functions. For example, member Gary Laabs was reimbursed for picnic expenses incurred on his personal credit card totaling \$1,093.68. Mr. Laabs' expenses included food and refreshments from such vendors as Festival Foods, Aldi, and Brandon's Meats. The original documentation provided by the vendors was not retained. The only documentation retained was a handwritten note submitted by Mr. Laabs. As previously mentioned, all original bills, invoices, receipts, and vouchers related to union disbursements must be retained.

Based on your assurance that Local 578 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 Local 578 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Officer Titles

Local 578 did not correctly identify some officers' titles in Column B (Title) of Schedule 11 (All Officers and Disbursements to Officers). For example, Vice President Nickie Nitschke's and Recording Secretary Karely Schwalbach's titles were reported as "steward." While the officers may also hold the position of steward, the title in Column B should reflect the elected and/or constitutional position of the individual.

2. Stewards as Employees

Local 578 identified 21 individuals in Schedule 11 (All Officers and Disbursements to Officers) as stewards. Unless they are officers, stewards who receive lost wages, an allowance, or any other stipend are considered employees for LM reporting purposes, and any payments to them should be included in the amount reported in Schedule 12 (Disbursements to Employees). In accordance with the LM-2 instructions, the name and total payments to each employee who received more than \$10,000 in gross salaries, allowances, and other direct or indirect disbursements must be reported in Schedule 12. The total of all gross salaries, allowances, and other disbursements for all employees should be reported on Line 6 of Schedule 12 (Total Received by Employees making Less than \$10,000).

3. Salaries Reported as Allowances

Local 578 did not correctly report salaries to officers totaling at least \$13,020 in Schedule 11, Column D (Gross Salary Disbursements). Local 578 records indicate officers receive a monthly "officer expense." Article XII, Section 2 of Local 578's bylaws states these expenses are "wages." Furthermore, you advised that this "officer expense" is to compensate the officers for the work that they do and is not intended to be a reimbursement to them for any specific expenses. These payments were erroneously reported in Schedule 11, Column F, but the payments should be reported in Column D.

4. Failure to Itemize Disbursement

Local 578 did not properly report some "major" transactions in Schedules 15 through 19. A "major" transaction includes any individual transaction of \$5,000 or more or total transactions to any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report

Mr. Perry Graves
June 26, 2008
Page 4 of 4

elsewhere in Statement B. The audit found that there were at least three major transactions to Roberts Custom Software, Uptown Pizza, and Reimer Jewelers that were not reported, were underreported, or incorrectly reported on the Itemization Pages.

For example, Local 578 disbursed five checks to Roberts Custom Software totaling \$8,075. Since the payments to this vendor aggregate to \$5,000 or more during the reporting period, the payments to Roberts Custom Software should have been reported on an itemization page for Schedule 18 (General Overhead).

I am not requiring that Local 578 file an amended LM report for 2007 to correct the deficient items, but Local 578 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Auto Workers Local 578 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. Jay Kopplin, UAW International Representative
Mr. Robert Sosinski, Chief Trustee