

U.S. Department of Labor

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March 18, 2009

Ms. Pamela Mueller, President
Teachers Local 5012
P.O. Box 373
Burlington, WI 53105-0373

LM File Number: 513-007
Case Number: [REDACTED]

Dear Ms. Mueller:

This office has recently completed an audit of Teachers Local 5012 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 Secretary Treasurer Deborah Koehnke today, 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 5012's 2008 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 5012 did not retain adequate documentation for reimbursed expenses incurred by officers. For example, you received a reimbursement of \$49.85 for a "convention expenses;" however, no supporting documentation was maintained.

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. Receipt Dates not Recorded

Entries in Local 5012's check register reflect the date money was deposited but not the date money was received. 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 receipts must be recorded when money is actually received and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received.

Based on your assurance that Local 5012 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 5012 for fiscal year ending June 30, 2008, was deficient in the following areas:

1. Disbursements to Officers for Salary and Lost Wages

Local 5012 improperly reported at least \$900 in salaries to officers in Column E (Allowances and Other Disbursements) instead of Column D (Gross Salary) of Item

24 (All Officers and Disbursements to All Officers). In addition, Local 5012 did not include lost wage payments to officers totaling at least \$1,700 in the amounts reported in Column D. It appears these payments were erroneously omitted from the LM-3 report.

Most direct disbursements to Local 5012 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).

2. Statement A (Assets)

Local 5012 incorrectly overreported the cash balances at the beginning and end of the reporting period in Item 25 (Cash). Local 5012 reported the beginning balance as \$16,533, and the ending balance as \$20,529. Local 5012's check register and bank statements indicated its beginning cash balance was \$9,618, and the ending balance was \$3,487. As stated in the LM-3 instructions, the checking account balances reported should be obtained from your organization's books as reconciled with the balances shown on bank statements.

3. Statement B (Receipts & Disbursements)

Local 5012 misreported Item 44 (Total Receipts) and Item 55 (Total Disbursements) by \$3,657 and \$6,019, respectively. Local 5012's check register shows that during the audit year, the union's total receipts were \$43,634, but \$47,141 was reported in Item 44. In addition, the check register shows that total disbursements were \$49,164 but Local 5012 only reported \$43,145 in Item 55. It appears Local 5012 incorrectly reported receipts received in the different fiscal years and failed to report checks disbursed but did not yet clear the bank account. The purpose of Statement B is to report the flow of cash in and out of your organization during the reporting period. Under Statement B, receipts must be recorded when money is actually received by

the labor organization and disbursements must be recorded when money is actually paid out by the labor organization.

4. 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 5012 amended its constitution and bylaws in 2004, but did not file a copy with its LM report for that year. Local 5012 has now filed a copy of its constitution and bylaws.

Local 5012 must file an amended Form LM-3 for fiscal year ending June 30, 2008, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than April 7, 2009. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issue

Two Signatures on Checks

During the audit, Secretary Treasurer Deborah Koehnke stated that only one signature is required on checks issued from Local 5012's checking account and indicated that no one but her reviews the checks before they are issued. 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. OLMS recommends that Local 5012 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Teachers Local 5012 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,

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Ms. Pamela Mueller
March 18, 2009
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Investigator

cc: Ms. Deborah Koehnke, Secretary Treasurer