



April 26, 2017

Mr. Bill Mueller, President
Independent Pattern Makers Union
[REDACTED]

Case Number: 320-6009790 [REDACTED]
LM Number: 516831

Dear Mr. Mueller:

This office has recently completed an audit of Independent Pattern Makers Union (IPMU) 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, Treasurer Tom Benton, Vice President Chris Yansky, Secretary Matt Lingfoski, and Trustees Heath Bond and Kevin Guyette on March 29, 2017, 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 the IPMU's 2015 and 2016 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Entries in the IPMU's handwritten check register and Quicken electronic recordkeeping system for 2015 and 2016 reflect the date the union deposited money, but not the date

money was received. 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-3. The LM-3 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. Failure to Maintain Adequate Supporting Documentation for Disbursements

The IPMU did not retain adequate documentation for disbursements totaling at least \$15,000 in 2015. For example, the union issued three checks to the UW Extension totaling almost \$3,000, but did not retain adequate documentation to identify the nature of the expenses. The audit revealed that the checks were disbursed for the purpose of registration and lodging costs associated with training that several officers of the union attended in 2015 and that receipts for these expenses were emailed to the union officers, but were not retained by the union.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

3. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling more than \$200. The only documentation retained by the IPMU for mileage payments to officers were small pieces of paper attached to the carbon copies of the checks, which only identified the total amount of each check attributable to mileage claims; however, officers failed to identify the dates of travel, locations traveled to and from, number of miles driven, and the union business purpose on the pieces of paper.

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.

4. Per Diem Payments

The audit revealed that the IPMU disbursed more than \$1,000 to officers and members for per diem in 2015; however, the only documentation retained by the union for these expenses was small pieces of paper attached to the carbon copies of the checks, which only identified the total amount of each check attributable to per diem payments.

In the case of per diem payments to officers and employees for travel on union business, the IPMU must maintain records which identify the business purpose of each trip, the dates of travel, the destinations travelled to and from, and the per diem rate claimed for each date of travel.

5. Lost Wages

The IPMU did not retain adequate documentation for lost wage reimbursement payments to officers and employees totaling more than \$7,000 in 2015. 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 OLMS audit found that the documentation retained by the IPMU for lost wage payments included only small pieces of paper attached to the carbon copy of the check that included the name of the officer receiving the wages and the total amount of gross lost wages paid by the check.

During the exit interview, I provided a sample of an expense voucher that the IPMU may use to satisfy this requirement. The sample identifies the type of information and documentation that the union must maintain for lost wages and other officer expenses, such as per diem and mileage.

Based on your assurance that the IPMU 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 the IPMU for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Certificates of Deposits Reported as Investments

The IPMU improperly included the value of four certificates of deposit totaling more than \$100,000 as investments in Statement A (Assets and Liabilities). For LM reporting purposes, certificates of deposit, regardless of the term of the certificate, are required to be reported as cash as provided in the LM-3 Instructions. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the local should not

report these transactions as receipts or disbursements in Statement B (Receipts and Disbursements).

2. Other Receipts

The audit revealed that the IPMU received a refund payment of \$205 from their surety company; however the union reported \$0 in Item 43 (Other Receipts). During the exit interview, Mr. Benton advised that since the receipt was a refund for an equivalent disbursement that the union had made in the same fiscal year, he did not think that receipt was required to be reported.

As discussed during the exit interview, the purpose of Statement B (Receipts and Disbursements) is to report the flow of cash in an out of your organization during the reporting period and therefore “netting” is not permitted. The IPMU must report every receipt that was received during the fiscal year in Statement B. If a receipt does not conform to one of the defined items in Statement B it must be included in Item 43.

3. Professional Fees

During 2015, the IPMU disbursed more than \$16,000 for the purpose of professional fees, such as legal fees, accounting fees and arbitration fees. However, only \$550 was reported in Item 49 (Professional Fees). The audit revealed that these payments were erroneously reported in Item 54 (Other Disbursements). All disbursements for “outside” legal and other professional services, such as those previously mentioned, must be reported in Item 49.

4. Per Capita Tax Payments

IPMU disbursed \$444 to the Fox Valley Labor Temple Co-op for the purposes of per capita tax. However, the union reported \$0 in Item 47 (Per Capita Tax Reports). The supporting documentation retained for this payment included a per capita tax remittance form in which the payment was calculated based on \$1 per member per month and several officers at the exit interview advised that the union had to be affiliated with the Labor Temple Co-op in order to hold meetings in their building. The LM-3 Instructions provide that all disbursements made for per capita tax (amounts paid as a condition or requirement of affiliation with another organization (i.e. payments to the Fox Valley Labor Temple) must be reported in Item 47.

5. Payments to Officers

IPMU erroneously included some expense reimbursements to officers (such as payments for mileage and per diem) totaling over \$1,000 in the amounts reported as wages in Item 24 (All Officers and Disbursements to Officers), Column D (Gross Salary). Only gross salary payments, including lost wages, (before withholdings and other payroll deductions) are to be reported in Item 24, Column D. Most direct and indirect disbursements to officers for purposes other than salary or lost wages must be reported in Item 24, Column E (Allowances

and Other Disbursements). 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 for room rent only) 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).

I am not requiring that the IPMU file an amended LM report for 2015 to correct the deficient items, but the union has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

Failure to Hold Timely Elections of Officers

The audit revealed that the IPMU has been holding their regularly scheduled election of officers every five years. Article 5 (Terms of Office) of the union's bylaws provides that "All Officers and Negotiating Committeemen will be elected to a term consisting of five years." Section 401(b) of the LMRDA provides that all local labor organizations hold officer elections not less than once every three years. Section 401(e) provides that all elections must also be conducted in accordance with the constitution and by-laws of the labor organization in so far as they are not inconsistent with the provisions of this title. In the case of IPMU, the bylaws are inconsistent with the statute, and OLMS strongly suggests that the union change their election procedures to incorporate an election cycle that is not less than once every three years in order to be compliant with Section 401(b). During the exit interview, you stated that IPMU will amend its bylaws to incorporate a three year election cycle.

Other Issues

1. Lost Wage and Expense Policies

During 2015, the IPMU disbursed payments totaling more than \$7,000 to officers for wages lost when they are required to be absent from their job at Neenah Foundry to attend to union business. In addition, the union also disbursed payments for travel expenses to the officers totaling more than \$1,200. The IPMU's current lost wage and expense policy can be found in Article 18 of the union's bylaws, which provides that "The Union will reimburse any member for all scheduled lost time while conducting Union business. A mileage rate will also be paid for all miles travelled while conducting Union business. All scheduled time off of regular scheduled work hours and the initiation of the mileage rate must have prior approval of the Executive Board." The audit found that union travel was generally discussed and approved at the membership meetings; however, the specific rates for lost wages, mileage, and per diem were not identified in the meeting minutes or any other union record. For example, the union made a motion to "Send two members to workers comp training in

Madison to include costs of class, mileage, hotel, per diem and wages” at the June 18, 2015 membership meeting; however, the meeting minutes do not identify the specific rate for mileage or per diem, or the number of hours or the rate at which lost wages will be paid, nor is this information found in any other written document retained by the union.

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish best practices for administering lost time and expense payments. OLMS recommends that unions (1) adopt clear policies and procedures for making lost time or and expense payments and (2) use vouchers that require detailed information to these payments. These practices will allow the union to properly report lost time and expense payments on the Labor Organization Annual Report Form LM-3.

2. Lack of Salary Authorization

The audit revealed that the officers of the IPMU are not required to pay union dues because of the positions they hold in the union. Article 14 of the IPMU Bylaws requires that all members of the IPMU pay monthly dues equivalent to their current hourly wage rate following the expiration of a sixty working day probationary period; however, the audit found that the IPMU does not have a written policy authorizing the forgiveness of the officers’ union dues. During the exit interview, the officers advised that this issue was addressed at the union’s most recent membership meeting in March 2017, and the union will soon be working on a bylaws provision to incorporate this authorization. OLMS recommends that the IPMU adopts a clear written dues forgiveness policy for the union’s officers that is properly authorized by the entity or individual(s) in the union with the authority to establish dues forgiveness.

I want to extend my personal appreciation to the Independent Pattern Makers Union 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. Tom Benton, Treasurer
Mr. Chris Yanksy, Vice President
Mr. Matt Lingfoski, Secretary
Mr. Heath Bond, Trustee
Mr. Kevin Guyette, Trustee