



March 15, 2019

Mr. David Branson, President/Executive Director  
Building and Construction Trades Council of  
South Central Wisconsin  
1602 S. Park Street  
Room 204  
Madison, WI 53715

Case Number: 320-6015111 [REDACTED]  
LM Number: 033677

Dear Mr. Branson:

This office has recently completed an audit of Building and Construction Trades Council of South Central Wisconsin 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 Secretary/Treasurer Jeff Mehrhoff on March 13, 2019, 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 Council's 2018 records revealed the following recordkeeping violations:

1. Reimbursed Auto Expenses

Community Outreach and Education (COE) Director Andrew Jorgensen received reimbursement for business use of his personal vehicle but did not retain adequate documentation to support payments to him totaling at least \$4,791 during the audit period.

Mr. Jorgensen's mileage reimbursements were normally claimed on expense vouchers that recorded the dates of travel, the total miles driven, and the union business conducted; however, the expense vouchers were insufficient because they did not adequately record the locations traveled to and from. 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.

2. Failure to Maintain Receipt Records

The audit revealed that the Council did not retain check/remittance statements for 4 payments totaling \$22,000 that it received for its COE program during the audit period. As previously noted, 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.

3. Salaries and Vacation Time

The Council did not maintain records to verify that the salaries and allowances reported in Schedule 11 (All Officers and Disbursements to Officers) of the LM-2 were the authorized amounts and therefore correctly reported.

At the opening interview, you indicated that the only Council officers authorized to receive salaries are the president and secretary/treasurer, and these salaries were approved by the Council's delegates at a meeting held "quite a while ago." Additionally, you advised that you weren't sure when Bookkeeper Lisa Venske's salary was authorized by the Council's delegates, but that it was probably a long time ago, as well. During the audit, Ms. Venske advised that she has been paid her current hourly wage rate for more than ten years and has never had a written employment agreement with the Council. Authorizations for the salaries of the president, secretary/treasurer, and Ms. Venske could not be identified in the Council's meeting minutes or any other union records.

You further advised that, as the Council's executive director, you receive two weeks paid vacation each year based on an "informal" Council policy that is not in writing, and you are the only officer or employee of the Council who is authorized to receive vacation benefits; however, Mr. Jorgensen's employment agreement with the Council states that he is authorized two weeks of vacation per year. You indicated that you "informally" track your vacation time, but don't keep a written record of its accrual/usage. The review of the Council's records did not reveal any authorization for your vacation time or records accounting for the vacation time accrued and used by you and Mr. Jorgensen during the audit year.

The union must keep a record, such as meeting minutes or an employment agreement, to show the current salaries and allowances for officers and employees as authorized by the entity or individual in the union with the authority to establish salaries and allowances. The union must also maintain records of vacation time earned and used by each eligible officer or employee. These records are necessary to ensure the use of vacation time is not abused and is properly accounted for.

#### 4. Fixed Assets

The LM-2 filed by the Council for 2018 reported fixed assets totaling \$12,264 at the start of the audit year (Item 27 (A) Fixed Assets, Start of Reporting Period) and \$12,351 at the end of the audit year (Item 27 (B) Fixed Assets, End of Reporting Period); however, the Council failed to retain sufficient records to verify the accuracy of those figures. The audit revealed that the Council's fixed assets included two computers, a printer/copier, a trailer, and office furniture; however, no records were retained that identified these assets and their value. During the exit interview, you agreed to create an inventory list and maintain the list by adding new purchases, removing old equipment that has been sold, donated, or destroyed, and recording the cost and depreciation of each asset.

In the case of fixed assets, the Council must maintain an inventory or other similar record(s) identifying each fixed asset and the cost and depreciation of each fixed asset. Such records are required to be retained to verify, clarify, and support information required to be reported in Item 27 and Schedule 6 (Fixed Assets) of the Form LM-2.

Based on your assurance that the Council 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 the Council for the fiscal year ended June 30, 2018, was deficient in the following areas:

##### 1. Acquire/Dispose of Property

Item 15 (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 Council gave away 460 tee-shirts totaling at least \$5,305 for a "Take a Kid Fishing" event that it participated in on June 2, 2018. The union must identify the type and value of any property received or given away in Item 69 (Additional Information) of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers and Employees

The Council did not report Vice President Scott Bartz, former Sergeant-at-Arms Dan Burke, Sergeant-at-Arms Steve Ketelboeter, and Trustees Jim Vick, Todd Gray, and Robert Potter as union officers in Schedule 11. The union must report in Schedule 11 all persons who held office during the year, regardless of whether they received any payments from the union. The audit also revealed that the Council did not include reimbursements to Mr. Bartz and Mr. Ketelboeter totaling at least \$457 in the amounts reported in Schedule 11, Column F (Disbursements for Official Business). The Council's disbursements records indicate that Mr. Bartz and Mr. Ketelboeter received reimbursements totaling at least \$457; however, the Council did not report the payments to them in Schedule 11. It appears that the Council erroneously reported the reimbursements it made to Mr. Bartz and Mr. Ketelboeter in Schedules 15 through 19.

In addition, the Council erroneously reported the total amount of payments you received as the Council's executive director in Schedule 12 (Disbursements to Employees), rather than in Schedule 11. If an officer also holds a dual position as an employee, the full amount paid to that officer must be reported in Schedule 11.

The union must report in Column F of Schedules 11 and 12 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.

3. Political Action Committee (PAC) Fund

The audit revealed that the Council's PAC fund had disbursements totaling \$125 during the audit year; however, the Council failed to report the PAC fund's disbursements. As stated in the LM-2 instructions, all PAC funds are considered to be labor organization funds; however, to avoid duplicate reporting, PAC funds that are kept separate from your union's treasury are not required to be included in your union's LM-2 report if publicly available reports on the PAC funds are filed with a federal or state agency. At the opening interview you also stated that the Council no longer files a report for its PAC fund with Wisconsin Elections Commission. Therefore, the financial activities of the PAC fund must be included in the Council's LM-2 report.

Additionally, the Council reported its PAC fund balances in Item 28 and Schedule 7 (Other Assets), rather than in Item 22 (Cash). The Council is required to report the total of all of its cash on hand and on deposit at the start and end of the reporting period in Item 22.

#### 4. Per Capita Tax

The Council erroneously reported \$142,500 in per capita tax receipts that it received from affiliated local unions during the audit year in Item 36 (Dues and Agency Fees). These receipts are required to be reported in Item 37 (Per Capita Tax). The Form LM-2 instructions provide that if your organization is an intermediate or parent body, all per capita tax receipts received by your organization must be reported in Item 37; however, do not include any dues collected on behalf of subordinate organizations for transmittal to them.

I am not requiring that the Council file an amended LM report for 2018 to correct the deficient items, but the Council has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issue

##### Use of Signature Stamp

During the opening interview, you stated that the Council has signature stamps for Mr. Bartz and Mr. Mehrhoff, which are kept in your desk at the Council's office. You further stated that you only use the signature stamps to co-sign paychecks for you and Mr. Jorgenson if Mr. Bartz and Mr. Mehrhoff are both absent from weekly delegates' meetings, which you indicated is "pretty rare." You also stated that if you need a check co-signed for anything else, you wait until either Mr. Bartz or Mr. Mehrhoff are available. The purpose of the first signature is to attest to the authenticity of a completed document. The purpose of the second signature requirement is to attest to the authenticity of a completed document that is already signed. However, the use of a signature stamp for one of the signers does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the two signature requirement. OLMS strongly recommends that the Council review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Building and Construction Trades Council of South Central 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,



Investigator

cc: Mr. Jeff Mehrhoff, Secretary/Treasurer  
Mr. Matt Robbins, Esquire