



September 25, 2019

Ms. Paula Herbart, President
Michigan Education Association
P.O. Box 2573
1350 Kendale Boulevard
East Lansing, MI 48826-2573

Case Number: 320-6015559
LM Number: 512840

Dear Ms. Herbart:

This office has recently completed an audit of Michigan Education Association (MEA) 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, Executive Director Mike Shoudy, Secretary/Treasurer Brett Smith, and Director of Finance Matt DeWolf on September 24, 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 Violation

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 MEA's 2018 records revealed the following recordkeeping violation:

General Reimbursed and Credit Card Expenses

The MEA did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$14,995. For example, adequate supporting documentation was not retained for a \$295.58 reimbursement to Mr. Smith

for lodging charges he incurred in Marquette, MI in November 2017. In support of this payment, the MEA only retained an expense voucher and a hotel reservation confirmation sheet, which is not sufficient. As another example, adequate supporting documentation was not retained for a \$66.71 charge Field Services Consultant Aesha Baldwin made at a Shell gas station in Stevensville, MI on November 3, 2017. In support of this expense, the MEA only retained a credit card statement, which is not sufficient.

The MEA's records of meal expenses did not always include itemized receipts, written explanation of union business conducted, or the names and titles of the persons incurring or receiving the benefit of the restaurant charges. For example, an itemized receipt was not retained for a \$113 meal expense incurred by you at the Ralph Lauren Restaurant in Chicago, IL on April 2, 2018. In support of this expense, the MEA only retained a credit card signature receipt and a credit card statement, which is not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. Records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses. 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.

Based on your assurance that the MEA will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

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 MEA for the fiscal year ended August 31, 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 MEA gave away Visa gift cards and member engagement items totaling at least \$6,171 to members during the audit year. The union must identify the type and value of any property received or given away in the additional information section 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 audit revealed that the MEA did not include disbursements to former Executive Director Gretchen Dziadosz totaling at least \$30,529 in the amount reported in Schedule 12 (Disbursements to Employees), Column D (Gross Salary). The MEA's disbursements records indicate that Ms. Dziadosz received gross salary (including annual and final vacation payouts) of \$148,778; however, the total amount reported in Column D of Schedule 12 for Ms. Dziadosz was \$118,249. During the exit interview, Mr. DeWolf indicated that he wasn't sure what caused this reporting error and advised that he will research it further.

Additionally, the MEA did not include "taxable auto expense" (non-business related) payments made to key officers and employees totaling at least \$91,637 in the amounts reported in Column G (Other Disbursements) of Schedules 11 (All Officers and Disbursements to Officers) and 12. The MEA's disbursements records indicate that eight key officers and employees received "other disbursements" totaling \$108,926; however, the total amount reported in Column G of Schedules 11 and 12 for these officers and employees was \$17,289. It appears that the MEA erroneously reported "taxable auto expense" payments it made to these officers and employees in Column F (Disbursements for Official Business) rather than Column G. During the exit interview, Mr. DeWolf confirmed that this was the case for all "taxable auto expense" payments the MEA made to its officers and employees during the audit period.

Furthermore, the MEA erroneously made separate entries in Schedule 11 for both officer positions held by you (president and board member), Ms. Madafferi (vice president and board member), and Mr. Smith (secretary/treasurer and board member). If an officer holds more than one position in the union, the MEA must identify the officer's primary position in Schedule 11 and include the total amount of payments the officer received for this position along with any payments they received from their other union position(s). Any additional positions(s) held by an officer must be listed in Item 69 (Additional Information) along with the dates the officer held the other position(s).

The MEA must report in Column D of Schedules 11 and 12 gross salaries (before tax withholdings and other payroll deductions) of union personnel, including disbursements for annual and final vacation payouts, time devoted to union activities, and cash bonuses. The MEA 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 of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

3. 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. The MEA amended its constitution and bylaws in April 2018, but did not file a copy with its LM report for fiscal year ended August 31, 2018. OLMS has now received a copy of the MEA's current bylaws.

The MEA must file an amended Form LM-2 for the fiscal year ended August 31, 2018, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-2 must be filed no later than October 23, 2019. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Issue

General Reimbursed and Credit Card Expenses

A review of reimbursed expense payments the MEA made to Ms. Dziadosz during the audit year revealed that she charged \$450 to her union credit card on March 14, 2017 and \$495 to her personal credit card on August 15, 2017 for a \$945 lodging expense she incurred at the Hotel Walloon at Walloon Lake, MI for the Education Alliance in August 2017; however, she was reimbursed \$900 for this lodging expense on November 30, 2017, resulting in an overpayment of \$405. Additionally, for a \$594.22 lodging expense Ms. Dziadosz incurred at the Wyndham Hotel and Resorts in Charleston, SC in January 2018, Ms. Dziadosz paid \$577.98 with her union credit card on January 28, 2018 and \$16.24 with her personal credit card on January 30, 2018; however, she was reimbursed \$594.22 for this expense on March 8, 2018, resulting in an overpayment of \$577.98. During the audit, Mr. DeWolf contacted Ms. Dziadosz about these overpayments; she indicated that both overpayments occurred because she inadvertently requested reimbursement for lodging expenses that she thought had been paid in full with her personal credit card; however, her administrative assistant partially paid for these expenses with Ms. Dziadosz's union credit card. After being notified of these overpayments, Ms. Dziadosz repaid the MEA \$982.98 on August 4, 2019. Mr. DeWolf advised OLMS that he believes these were honest mistakes by Ms. Dziadosz.

Additionally, a review of union credit card charges made by Ms. Madafferi during the audit year revealed that she made a personal charge of \$174.87 at Hobby Lobby in Novi, MI on November 24, 2017. During the audit, Mr. DeWolf advised OLMS that Ms. Madafferi inadvertently used the wrong card when she made this charge and that she repaid the MEA \$174.87 on December 8, 2017. OLMS recommends a careful review of expense vouchers and union credit card statements as this can help ensure adequate internal controls and safeguard union assets.

I want to extend my personal appreciation to Michigan Education Association 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 covers the signature area.

Investigator

cc: Mr. Mike Shoudy, Executive Director
Mr. Brett Smith, Secretary/Treasurer
Mr. Matt DeWolf, Director of Finance