

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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September 1, 2005

Rick LaCrosse, President
PACE AFL-CIO, Local 368
2816 13th Street
Two Rivers, WI 54241-3316

File number is: 058-280

Dear Mr. LaCrosse:

This office has recently completed an audit of PACE, Local 368 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 Kinderknecht on August 31, 2005, 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.

Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

1. Lost Time

Vouchers submitted by union personnel for lost wages do not identify the date or union business conducted that required lost wages be incurred. The lost wage claims must 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. During the exit interview, I provided samples of blank expense vouchers Local 368 may use that identify the type of information and documentation which must be retained for lost wages and other officer expenses.

2. Meeting Minutes

During the audit Secretary Treasurer Kinderknecht advised that meeting minutes prior to April 2004 could not be found in the union's records. Since Local 368 created the meeting minutes, they

must be retained for at least five years to satisfy the record keeping requirement. Secretary Treasurer Kinderknecht stated that since the Local does not have a recording secretary, minutes are sometimes not recorded or maintained properly. Meeting minutes are an important source of documentation for a union's financial affairs and should also contain authorizations for disbursements of union funds. As previously noted, all union records must be retained for at least five years.

3. Officer and Employee Expenses

Union officers failed to retain adequate documentation for reimbursed expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded. During the audit it was advised that when some officers in the Local participate in contract negotiations or incur other meal expenses, checks are written directly to the vendor but the union purpose, dates, and those in attendance are typically not recorded on the receipts.

With respect to documentation retained in support of specific disbursements, the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services.

In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

As agreed, provided that Local 368 maintains adequate documentation for its receipts in the future, no additional enforcement action will be taken regarding this violation.

Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Local 368 for fiscal year ending December 31, 2004 was deficient in the following areas:

1. Acquire/Disposal of Property

Item 13 (Acquire any goods or property in any manner other than by purchase or dispose of any goods or property in any manner other than by sale) should have been answered "Yes" instead of "No," because Local 368 gave away goods in excess of \$2,250 to members during the year. These goods included gift certificates for the members for Christmas gifts and for membership meetings

attendance. The type and value of any property received or given away must be identified in the additional information section of the LM report with the identity of the recipient(s) or donor of such property. In addition, Local 368 must retain records which adequately account for all property that is purchased, sold, and given away.

2. Payments to Officers

Local 368 failed to include reimbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). For example, Secretary Treasurer Kinderknecht received reimbursements for stamps during 2004. Item 24 does not indicate any reimbursed expenses or allowances issued to Mr. Kinderknecht. Such payments appear to have been erroneously reported in Item 48 (Office and Administrative Expenses) and/or Item 54 (Other Disbursements).

All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in Item 24. A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment made by your organization to another party (including credit card companies) 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 Expenses).

I am not requiring that Local 368 file an amended LM-3 report for 2004 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

Other Issues

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 368's officers and employees are currently bonded for \$2,500, but they must be bonded for at least \$2,549. The Local provided proof of adequate bonding coverage to this office on August 18, 2005.

Salary Authorizations

During the audit, I advised you that authorization of the salary amounts paid to union officers could not be found in union records. I suggest that Local 368 take steps to record the authorized salary amounts by discussing them at a future meeting and recording them in meeting minutes or some other internal

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document. When the authorized salaries have been recorded in union records, I would appreciate it if you would forward a copy of the record documenting the authorization to me at the above address.

Countersignatures (Signing Blank Checks)

During the audit, Secretary Kinderknecht advised that he occasionally signs blank checks in advance. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. You may want to revise your check disbursement method.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to yours, Mr. Kinderknecht's successors at whatever time you may leave office.

I want to extend my personal appreciation to you and Mr. Kinderknecht for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

ACC

Investigator

cc: Peter Kinderknecht, Secretary Treasurer