



July 15, 2016

Mr. Frank Rodriguez, President
Insulators Local 19
N27W23155 Roundy Drive
Pewaukee, WI 53072

Case Number: 320-6006952
LM Number: 013334

Dear Mr. Rodriguez:

This office has recently completed an audit of Insulators Local 19 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, Business Manager Brett Large and Bookkeeper Tracy Staedler on June 28, 2016, 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 19's 2015 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Financial Secretary Robert Potter is responsible for initially recording all of Local 19's dues receipts from employers and members in a handwritten receipts journal. Bookkeeper Tracy Staedler then enters the dues income into QuickBooks, the electronic recordkeeping system

used by Local 19. The audit revealed that Mr. Potter only records receipts in the journal once or twice a month despite the fact that the local is receiving dues payments on an almost daily basis throughout the month. The dates recorded in the receipts journal by Mr. Potter are the dates on which he enters the payments in the journal, not the dates the union actually received the money. The dates recorded in the union's QuickBooks records are generally the dates the receipts are deposited into the bank. Therefore, Local 19 does not maintain any record that actually includes the dates that dues income is actually received by the union.

With regard to union apparel income totaling more than \$1,000 during 2015, the log maintained for the sale of these items includes only the first name of the person purchasing the apparel, the item purchased, and the amount of the item. The log does not include the dates items were sold nor does Local 19 maintain any other record with this information.

Receipt records must include an adequate identification of all money received. The records must show the date and amount received as well as the source of the income. 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-2. The LM-2 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. Reimbursed Auto Expenses

Union officers who received reimbursement for the business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$3,000 during 2015. For example, Business Manager Brett Large maintained a mileage log which documented the business use of his personal vehicle and included the dates he traveled, the starting and ending mileage for each date, and the ending destination. [NOTE: He maintained a separate calendar on his phone that identified the union business he was working on for each date]. However, the mileage log failed to identify the starting destination of travel, which based on the information provided by Local 19 during the audit, could have included travel from the union office, Mr. Large's personal residence, or from some other business location.

Local 19 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.

3. General Reimbursed and Credit Card Expenses

Local 19 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers totaling at least \$3,200. For example, Mr. Large purchased a propane gas grill from Home Depot on July 28, 2015 using the union's credit

card. However, the supporting documentation retained failed to identify a union business purpose for this purchase nor do the meeting minutes or any other governing document authorize the purchase of the grill.

In addition, with regard to meal expenses, Local 19 failed to retain itemized meal receipts for over \$400 in meal expenses incurred by union officers. For example, Mr. Large received reimbursement for a meal expense totaling \$277.74 at the Trysting Place on October 19, 2015, but retained only the signature copy of the receipt as documentation of the expense, which is not sufficient. 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.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements as well as additional documentation as necessary to show the nature of the union business that required the disbursement. Records of meal expenses incurred by officers 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), who are required to sign your union's LM report, are responsible for properly maintaining union records.

Based on your assurance that Local 19 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(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 19 amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year. Local 19 has now filed a copy of its constitution and bylaws.

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 Local 19 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Automobile Expenses

The audit revealed that Local 19's automobile policy allows for the officers assigned a union vehicle to commute to and from the union office (or field work) and occasionally use the union vehicle for personal errands while travelling on union business. The mileage logs retained by Local 19 show that each of the union vehicles assigned to you and Mr. Potter

were used for commuting and occasional personal errands. Local 19 reported all of the disbursements to you and Mr. Potter for the operation and maintenance of the union vehicles, over \$5,000 each, in Schedule 11 (All Officers and Disbursements to Officers), Column F (Disbursements for Official Union Business) but failed to provide additional information in Item 69 (Additional Information) that the vehicle was used partly for personal business.

The LM-2 instructions provide two methods for reporting automobile-related expenses. Direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance) must be reported in Schedules 11 and 12. The expenses may be divided and reported in Columns F (Disbursements for Official Business) and G (Other Disbursements) based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use.

Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, which appears to have been the case for both you and Mr. Potter, the expenses related to the vehicle assigned to the officer or employee may be reported in Column F of Schedule 11 or 12 with an explanation in Item 69 that the officer or employee used the vehicle part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50 percent of the time for business, all of the expenses related to that vehicle may be reported in Column G with an explanation in Item 69 that the officer or employee used the vehicle partly for official business.

2. Benefit Payments

During the audit year, Local 19 disbursed benefit payments totaling more than \$301,000 to various benefit plans, including the Building Trades United Pension Trust Fund, the Local 19 and 27 Welfare Fund, the Union Individual Account Retirement Fund, and the National Asbestos Worker Pension Fund; however, Local 19 reported disbursements to these plans totaling only \$290,065 in Schedule 20 (Benefit Payments) of the LM-2 Report. According to one of the accountants who helped prepare the local's LM-2 report, benefit payments were recorded in the union's QuickBooks records on an accrual basis and were booked weekly against payroll liabilities; however, the actual disbursements for the benefit payments were only made once a month resulting in a difference in amounts that were booked as a liability and those that were actually paid. As a result, the union's accountant was required to make adjustments to the payroll liabilities account for the benefit payments, which resulted in adjusted figures being reported in Schedule 20 instead of the actual disbursements for benefits that were made during the year.

The LM Report is required to be prepared using the cash method of accounting. Under the cash method of accounting, receipts are recorded when money is actually received by your organization and disbursements are recorded when money is actually paid out by your organization.

3. Failure to Accurately Report Other Assets (Schedule 7 and Item 28)

The audit revealed that the amounts reported in Schedule 7 (Other Assets) and Item 28(b) (Other Assets at the end of the reporting period) did not include the value of the Milwaukee Bucks 2015/2016 season tickets on hand at the end of the audit period. During the audit year, Local 19 purchased two season tickets for all of the Milwaukee Bucks home basketball games for the 2015/2016 year totaling \$4,154. Local 19 subsequently gave away all of the tickets for the home games that occurred in 2015, which totaled \$1,606, leaving a balance of tickets totaling \$2,534 for the 2016 games. Local 19's accountant confirmed that the \$2,534 in tickets on hand at the end of the fiscal year were not included in the amounts reported in Schedule 7 or Item 28(b). The LM-2 instructions provide that a labor organization's other assets must be reported in Schedule 7, including a general grouping of the items in Column A (such as utility deposits, inventory of supplies for resale, Milwaukee Bucks tickets, etc.) and the value of each group of assets identified in Column B.

Local 19 also failed to report the value of the tickets given away in 2015 (\$1,606) in the amounts reported in the additional information section (Item 69) for Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?). Local 19's accountant confirmed that that \$17,249 in give-aways reported in Item 69 did not include the value of the Milwaukee Bucks tickets that were given away. As is the case with all items given away, the type and value of all items given away must be identified in the additional information section (Item 69) for Item 15. 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."

I am not requiring that Local 19 file an amended LM report for 2015 to correct the deficient items, but Local 19 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Credit Card Policy

The audit revealed that Local 19 disbursed over \$16,000 to U.S Bank for credit card purchases during 2015. During the audit, you and Mr. Large stated that the business manager is authorized to use the union credit card for office supplies and refreshments for meetings; however, Local 19 has no written policy governing the use of the credit card. To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish a written policy that outlines the best practices for monitoring credit card use and administering payments within your union. OLMS recommends that unions (1) adopt clear policies and procedures for credit card use and payment, (2) maintain detailed documentation to support each credit card charge and credit card payment, and (3) regularly monitor compliance with the established credit card policies and procedures.

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I want to extend my personal appreciation to Insulators Local 19 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. Robert Potter, Financial Secretary/Business Agent
Mr. Greg Gottsacker, Vice President
Mr. Brett Large, Business Manager
Mr. Darin Wolf, Recording Secretary