



September 27, 2010

Mr. Steve Mihalik, President
United Transportation Union Local 832
7625 Ogden Avenue
Superior, WI 54880

Case Number: [REDACTED]
LM Number: 002142

Dear Mr. Mihalik:

This office has recently completed an audit of UTU Local 832 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 on September 7, 2010, and with Treasurer Troy Buck on September 8, 2010, 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 832's 2009 records revealed the following recordkeeping violations:

1. Failure to Maintain Supporting Documentation for Officer Expenses

Local 832 did not maintain adequate documentation for various reimbursed expenses to officers totaling at least \$1,538 for gasoline and some unidentified expenses. For example,

Local Chairman Timothy Flynn was reimbursed \$143.50 in July 2009 for "gasoline expenses." Vendor receipts were found to show that gasoline was purchased on 6/19/09 and 7/17/09, but there was no explanation of the union business purpose requiring the two purchases of gasoline. In another example, Local Chairman Eric Anderson was reimbursed \$45 in November 2009 for printer ink, and no vendor receipt was found to support the purchase.

As noted above, Local 832 must retain original receipts, bills, and vouchers for all disbursements. In addition, when the actual cost of gasoline is authorized to be paid, records must identify the dates of travel, locations traveled to and from, number of miles traveled, and the union business purposes for each use of a personal vehicle for union business travel.

2. Lost Wages

Local 832 did not retain adequate documentation for a lost wage reimbursement payment in November 2009 to Vice Local Chairman Eric Anderson totaling \$1,330. Records must be maintained 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 audit found that for this disbursement Local 832 retained a handwritten reimbursement request for "lost earnings" (or a reimbursement for wages lost while conducting union business) noting the amount was for two "yard jobs" (which you described as his work shifts) at \$240 each and a third occasion at \$850 when he went from "Superior to Dilworth and return." The records retained in support of these claims do not identify the dates that lost wages were incurred, the number of hours lost, the applicable rate(s) of pay, or an adequate description of the union business conducted.

During the exit interview, I provided a sample of an expense voucher Local 832 may use to satisfy both the lost wage and reimbursed expenses requirements. The sample identifies the type of information and documentation that the local must maintain for such disbursements.

3. Lack of Salary Authorization

Local 832 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and were therefore correctly reported. You indicated you did not know where the written salary authorizations may be. Treasurer Troy Buck provided a list of the salaries, but stated that he did not know how or when the salaries were determined, other than he supposed that the membership had authorized the amounts at some point in the past. A review of the meeting minutes retained for the audit year revealed the authorized salaries were not noted in the meeting minutes for that year. Local 832 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries.

4. Bank Records

Local 832 did not maintain records, such as bank statements, to support the existence of a

certificate of deposit and checking account in the name of the union at Citizens Bank. Bank statements obtained during the audit showed the end of year 2009 balance of the certificate of deposit to be \$5,000 and the checking to be \$1,668. Therefore, over \$6,600 in union assets, as well as the interest earned, were not supported by records. However, a review of the records revealed no financial transactions involving those accounts were made during 2009. For all bank accounts held by Local 832, the local must maintain all bank statements, certificates of deposit, and other documents issued by banks related to transactions on the accounts. (These accounts are discussed further in the reporting violations section below.)

Based on your assurance that Local 832 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 Local 832 for the fiscal year ended December 31, 2009, was deficient in the following area:

1. Failure to Report all Accounts

The amount reported in Item 25 (Cash for the Start and End of the Reporting Period) consisted only of the book balances for the checking account at Superior Choice Credit Union. Item 25 failed to include the book balances for the savings account and certificate of deposit at Citizen's Bank. The instructions for item 25 indicate to report the total of all the organization's cash on hand and on deposit at the start and end of the reporting period, including funds in bank and credit unions such as checking accounts, savings accounts, certificates of deposit, and money market accounts.

2. Failure to Correctly Report Officers

Item 24 (All Officers and Disbursements to Officers) included persons who are not officers of Local 832. Article 56 (Officers of Locals) of the UTU International Union Constitution states that the elective officers of a local consist of a President, Vice President, Secretary and Treasurer, and a Board of Trustees. However, Local 832's 2009 LM-3 report also included various delegates, chairmen, and representatives. The instructions for Item 24 state to list all your organization's officers who held office at any time during the reporting period. The instructions further state that "officer" means "any constitutional officer, any person authorized to perform the functions of president, vice president, secretary, treasurer, or other executive functions of a labor organization, and any member of its executive board or similar governing body." For LM-3 reporting purposes, the Local 832 delegates, chairmen and representatives should be considered the employees of the union and disbursements to them should be reported in Item 46 (Employees).

I am not requiring that Local 832 file an amended LM-3 report for 2009 to correct the deficient

items, but Local 832 has agreed to properly report the deficient items on all future reports it files with OLMS. Keep in mind that when completing the 2010 electronic version of Form LM-3, the 2010 form will be pre-filled with the end of year balances from the 2009 report. Since this figure is inaccurate (because of the failure to report the Citizen's Bank accounts), you must correct it and explain the changes in Item 56 (Additional Information).

Other Issues

Travel Expense Policy

Regarding the payment of travel expenses, the audit revealed that on at least one occasion Local 832 paid an individual based on the number of miles driven multiplied by a rate per mile (check 5066), on another occasion paid the exact amount of gasoline receipts (check 5064), and on a third occasion paid a requested dollar amount for which records did not specify the basis for that amount (check 5080). You indicated that members decide on what amount to reimburse an individual. Treasurer Buck indicated that he thought Local 832 paid such expenses at an established rate multiplied by the number of miles actually driven. OLMS recommends that unions adopt written guidelines concerning the method by which travel, as well as other expenses, will be paid to help ensure effective internal controls and safeguard union assets.

I want to extend my personal appreciation to United Transportation Union Local 832 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. Troy Buck, Treasurer