



March 22, 2023

Mr. Israel Rodas-Torres, President  
Steelworkers Local 1702

Case Number: 110-6025368( )  
LM Number: 062-160

Dear Mr. Rodas-Torres:

This office has recently completed an audit of Steelworkers Local 1702 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 Financial Secretary Keven Pagan and former Vice President Nelson Rodriguez on March 18, 2023, 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 1702's 2021 records revealed the following recordkeeping violations:

1. General Payments and Reimbursed Expenses to Officers

Local 1702 did not retain adequate documentation for reimbursed expenses incurred by Nelson Rodriguez, Robert Puntieri, and Israel Rodas-Torres totaling at least \$601. For

example, Rodriguez and Puntieri were reimbursed for meal expenses in February 2021, but the union did not maintain receipts to support the reimbursements. Rodas-Torres was also reimbursed for parking and train expenses variously from February through July 2021 without the union maintaining corresponding supporting documentation.

In addition, Local 1702 failed to retain adequate documentation to support the amounts paid to officers for their yearly stipend. The stipend is based on the dues remitted by union officers, however the union did not retain records to confirm the amount of dues paid by its officers.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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.

## 2. Direct Disbursements to Vendors

Local 1702 did not retain adequate documentation for direct disbursements made by Local 1702 to vendors. For example, the union made a payment for \$1,957 to Caesar's Atlantic City for hotel lodging. The union failed to retain an invoice for this expense. The union must maintain itemized receipts and/or invoices provided by merchants and vendors. 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 previously noted, labor organizations must retain original receipts, bills, and vouchers for all disbursements.

## 3. Meal Expenses

Local 1702 did not require officers to submit itemized receipts with proper annotations for meal expenses totaling at least \$69. The union must maintain itemized receipts provided by restaurants to officers. 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.

Local 1702 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, on December 15, 2021, Rodriguez was reimbursed for a meal expense for \$69 but the receipt and voucher did not contain any additional information. Union 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.

## 4. Lack of Salary Authorization

Local 1702 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

5. Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that the membership authorized all expenses, either prospectively or retrospectively, at monthly membership meetings. Page 78 of the USW Constitution, an addendum in the Local Officer Manual, requires that all local union disbursements be authorized by the membership. However, the minutes of Local 1702 meetings do not contain any reference to expense approvals. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 1702 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 (LM-3) filed by Local 1702 for the fiscal year ended December 31, 2021, was deficient in the following areas:

1. Failure to Properly Report Cash Disbursements

Local 1702 incorrectly reported \$1,957 paid to Caesar's Atlantic City for hotel lodging as an Other Disbursement in Item 54. Disbursements made directly to third parties for hotel stays should be reported under Office and Administrative Expense (Item 48) and therefore not reported under Item 54. The total recorded under Item 54 should reflect all disbursements made by the union not otherwise reported in Items 45 through 53.

2. 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 version of its bylaws Local 1702 last submitted is dated 1965. Local 1702 amended its bylaws in 1997 and possibly again in the early 2010s, but it did not file a copy with its LM report.

I am not requiring that Local 1702 file an amended LM report for 2021 to correct the deficient items, but Local 1702 has agreed to properly report the deficient items on all future reports it files with OLMS. Local 1702 has also agreed to file all future reports electronically and submit

an updated copy of its bylaws through the Electronic Forms System.

I want to extend my personal appreciation to Steelworkers Local 1702 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