



September 28, 2023

Mr. William Elliott, Financial Secretary
United Steelworkers Local 639
P.O. Box 159
Belpre, OH 45714

Case Number: 350-6025795()
LM Number: 023956

Dear Mr. Elliott:

This office has recently completed an audit of United Steelworkers Local 639 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, President Patrick Shimer, and Trustee Roger Heft on September 15, 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 639's 2022 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 639 did not retain adequate documentation for reimbursed expenses incurred by you and Shimer totaling at least \$626.39. For example, you failed to provide a receipt for your reimbursement of \$200.00 on October 9, 2022, for the purchase of shirts and a hat from the USW Steelworker Store. You also did not retain receipt for the reimbursement you received on March 10, 2022, of \$110.16 for the purchase of office supplies. Similarly, Shimer received reimbursement of \$76.38 on December 15, 2022, for the purchase of food for union meeting, but no receipt was located in the union records.

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. Meal Expenses

Local 639 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$351.53. The union must maintain itemized receipts provided by restaurants to officers and employees. 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.

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.

3. Lost Wages

Local 639 did not retain adequate documentation for lost wage reimbursement payments to you and Shimer totaling at least \$3,504.22. The union must maintain records 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 OLMS audit found that Local 639 could not produce lost time vouchers for five of your lost time claims during the period 2021 and 2022. One of the claims was to make you whole from the Orion Engineered Carbons LLC bonus lost in 2022 as a result of your lost time. I note the bonus paid by the employer was based on total compensation received during the year. The calculation of your true-up of the bonus for yourself and four other officers affected was calculated on paper and did not identify how the true-up was calculated.

During the review of lost time claims, I identified you were paid twice for union business conducted on February 19, 2021. You received check number [REDACTED], dated February 19, 2021, solely for lost time on February 19, 2021. Later you received check number [REDACTED],

dated February 23, 2021 for forty hours of lost time during the period February 16 to February 19, 2021. No voucher was provided by the local, but the employer records indicated you were on lost time from February 16 to February 19, 2021 (32 hours) and received holiday pay on February 15, 2021. As a result, you received a duplicate payment of eight hours for February 19, 2022 and were overpaid \$210.57 (Gross amount of \$305.52 less taxes). In check [REDACTED], you received lost time for forty hours. However, you were only on union business per the employer records 32 hours and received holiday pay on February 15, 2021. Based on the local's lost time policy, you were over paid lost time of \$210.57. Also, you received check number [REDACTED], dated December 16, 2022. However, the employer records revealed you were not on union business at any time during December 2022. Based on the policies communicated to OLMS, you were not entitled to lost time and thus resulting in an overpayment of lost time to you of \$210.57.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 639 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

4. Failure to Record Receipts and Receipt Dates

Local 639 did not record in its receipts records rent payments received from USW Local 14200 and refunds totaling at least \$1,137.66. For example, a check dated October 4, 2022, in the amount of \$200.00 was received from USW Local 14200, but the local only recorded the deposit date of November 18, 2022, and the amount of the deposit. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money. Local 639 only records the date of deposit, not the date of receipt. Union receipts records must show the date of receipt. 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-3. The LM-3 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.

5. Lack of Salary Authorization

Local 639 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. The local's salaries for officers were authorized in meeting minutes more than ten years ago and has not been changed. I discussed with you the propriety of reauthorizing the salaries via annual executive board and/or membership meeting minutes.

6. Failure to Record ACH Payments

Local 639 did not record five ACH payments in the cash book for payroll withholding taxes totaling \$2,183.33. Although I note Perry & Associates CPAs, later recorded the disbursements in QuickBooks, all disbursements should be recorded in the cash book, regardless of the medium of payment.

Based on your assurance that Local 639 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 639 for the fiscal year ended December 31, 2022, was deficient in that:

1. Disbursements to Officers (LM-3)

Local 639 did not include some reimbursements to officers totaling at least \$362.13 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 or Item 54.

The union must report most direct disbursements to Local 639 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) 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 Expense).

I am not requiring that Local 639 file an amended LM report for 2022 to correct the deficient items, but Local 639 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy and Lost Time Policy

As I discussed during the exit interview with you, the audit revealed that Local 639 does not have a clear policy regarding the types of expenses personnel may claim

reimbursement. Specifically, officers and employees received reimbursement for alcohol purchased with meals. Although the officers advised alcohol has been reimbursed with meals based on past practice, so long as it is not an exorbitant amount, OLMS recommends the local adopt written guidelines concerning such matters.

The local does not have a written policy governing lost time and has relied on past practice. OLMS recommends the local adopt written guidelines concerning when lost time can be claimed and requirements for documenting the hourly rate.

2. Required Signatures on Checks

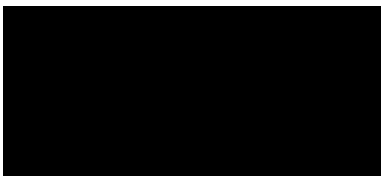
The audit revealed that Local 639 operates under the United Steelworkers Uniform Local Bylaws. Article V, Section 5 of the bylaws proscribes all checks are to be signed by the president, financial secretary, and treasurer. However, a review of cancelled checks during the period September 2022 through December 2022 revealed fourteen checks, totaling \$9,388.36 were signed only by you and fifteen checks, totaling \$4,057.54 were signed by you and Shimer or Treasurer Parrish Wittekind. I discussed with you the requirements of the bylaws and the financial safeguards afforded by requiring more than one signature on checks.

3. Segregation of Duties

You receive the rent payments and any refund checks, make the deposits, and record the deposits. I discussed with you the safeguards related to the segregation of duties with regard to the receiving, recording, and depositing receipts.

I want to extend my personal appreciation to United Steelworkers Local 639 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 covering the signature of the investigator.

Investigator

cc: Mr. Patrick Shimer, President