



May 5, 2011

Mr. Bill Black, Treasurer
Progressive Steelworkers of Hammond
13318 Robin Lane
Wheatfield, IN 46392

Case Number: [REDACTED]
LM Number: 042-600

Dear Mr. Black:

This office has recently completed an audit of the Progressive Steelworkers of Hammond (Progressive Steelworkers) 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 and President Alan Pearson on March 30, 2011, 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 the Progressive Steelworkers 2009 records revealed the following recordkeeping violations:

1. Lack of Supporting Documents

Supporting documentation was not maintained for the purchase of \$59.07 in ink cartridges and approximately \$76.74 in undocumented disbursements from the petty cash fund.

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.

Based on your assurance that the Progressive Steelworkers 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 the Progressive Steelworkers for fiscal year ending December 31, 2009, was deficient in the following areas:

1. Number of Members

Item 19 (How many members did your organization have at the end of the reporting period?) was reported as 185; however, a review of an individual dues deduction register for December 2009 revealed that the union actually had 145 dues paying members at the end of the reporting period. The Form LM-3 instructions state that Item 19 needs to include all categories of members who pay dues at the end of the reporting period.

2. Fidelity Bond

Item 20 (What is the maximum amount recoverable under your organization's fidelity bond?) was reported as \$5,000.00 even though a review of your union's dishonesty bond revealed that the president, vice president, and treasurer all had a maximum bonding coverage of \$100,000.00. The Form LM-3 instructions require that the maximum amount recoverable for a loss caused by an officer, employee, or agent of your organization who handled your organizations funds be reported in Item 20.

3. Dues Rate

The Progressive Steelworkers reported a regular dues rate of \$38.60 per month in Item 23 (What are your organization's rates of dues?) with no reported minimum or maximum. A review of individual dues deduction registers for the audit period revealed that all members were charged \$40.00 per month. The Form LM-3 instructions require that the minimum and maximum section of Item 23 should be completed with a "0" if only one dues rate applies.

4. Initiation Fees

The Progressive Steelworkers miscategorized approximately \$90.00 in initiation fees as dues when such receipts should have been reported in Item 40 (fees, fines, assessments & work permits).

5. Other Receipts

Item 43 (Other Receipts) included a \$55.34 QuickBooks general journal adjusting entry, appropriately rounded down to \$55.00, as a cash receipt even though the union did not realize a monetary gain from the adjusting entry. The adjusting entry was made in QuickBooks because a check that was payable to the family of a deceased member in 2007 never cleared the union's checking account. The Form LM-3 instructions require that receipts should only be recorded in Items 38 through 43 when money is actually received by the labor organization.

6. 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 Progressive Steelworkers amended its bylaws in 2000, but did not file a copy with its LM report for that year.

The Progressive Steelworkers have now filed a copy of its bylaws.

I am not requiring that the Progressive Steelworkers file an amended LM report for 2009 to correct the deficient items, but the Progressive Steelworkers have agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violations

The audit disclosed the following other violation(s):

1. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires the fidelity bond to provide recovery for loss as a result of dishonest or fraudulent acts even though the person committing the act receives no personal gain and the act is not subject to punishment as a crime or misdemeanor. The Progressive Steelworkers current bonding certificate contains a provision which defines a dishonest or fraudulent act as an act which is punishable under the criminal code in the jurisdiction within which the act occurred, for which an employee is tried and convicted.

The Progressive Steelworkers must obtain bonding coverage that does not require a trial and conviction in order to be compensated in case of a loss. The Progressive Steelworkers should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than June 6, 2011.

Other Issues

1. Signing Blank Checks

During the audit, you advised that former President [REDACTED] or former Vice President [REDACTED] signed blank checks. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that the Progressive Steelworkers review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Progressive Steelworkers of Hammond 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,

[REDACTED]
Investigator

cc: Mr. Alan Pearson, President