

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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April 18, 2008

Mr. Percy McGowan, President
Steelworkers, AFL-CIO
Local 1704
709 7th Street Thomas
Birmingham, AL 35214

LM File Number 056-878

Case Number: [REDACTED]

Dear Mr. McGowan:

This office has recently completed an audit of Steelworkers, Local 1704 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 Alberta Carson on April 17, 2007, 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. The CAP disclosed the following:

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 Steelworkers Local 1704's 2007 records revealed the following recordkeeping violations:

1. Failure to Record Deposits, Disbursements and Receipts

Local 1704 did not maintain a record of deposits, disbursements or receipts to account for income and expenditures from their checking account used for paying taxes at Wachovia Bank, Birmingham, AL. Union disbursements records must include an adequate identification of all money the union disburses. The records should show the date disbursed, to whom, the amount disbursed and the purpose and the source of the money. Union receipt 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

2. General Reimbursed Expenses

Local 1704 did not retain adequate documentation for reimbursed expenses expenses incurred by President Percy McGowan totaling at least \$495.00. For example, McGowan was paid \$45.00 per month by the union for his cell phone service. McGowan received \$495.00 for the FYE 12-31-2007, paid via monthly checks directly to him, for his cell phone. The union did not have any supporting documentation or records that authorized the union to pay President McGowan monthly for his cell phone service. No membership approval of this practice could be located.

3. Lack of Salary Authorization

Local 1704 did not maintain adequate 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.

As previously 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 Local 1704 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 labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-3) filed by Steelworkers, Local 1704 for fiscal year ending 12-31-2007, was deficient in the following areas:

1. Disbursements to Officers

Local 1704 did not include some reimbursements to officers (Percy McGowan and Alberta Carson) totaling at least \$1946.70 in the amounts reported Item 24 (All Officers and Disbursements to Officers). The union must report most direct disbursements to Local 1704 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).

2. Rates of Dues and Fees

Local 1704 incorrectly stated the monthly dues on Item 23a (What are your organizations rates and dues) as \$18.04. The dues rate for the FYE 12-31-2007 was \$32.50 per member per month. The union must accurately annotate the regular dues. 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 completing the form.

Local 1704 must file an amended Form LM-3 for fiscal year ending December 31, 2007, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to the address listed in the LM-3 Instructions as soon as possible, but not later than May 20, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

Expense Policy

As I discussed during the exit interview with you and Alberta Carson, the audit revealed that Local 1704 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Steelworkers, Local 1704 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: Alberta Carson, Financial Secretary