

**U.S. Department of Labor**

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January 12, 2009

Mr. James Ponzer, President  
Steelworkers Local 02-169  
1821 Jackson Street, Suite A  
Oshkosh, WI 54901-2203

LM File Number: 069-893  
Case Number: [REDACTED]

Dear Mr. Ponzer:

This office has recently completed an audit of Steelworkers Local 02-169 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 Treasurer Don Fredrick today, 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 02-169's 2007 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 02-169 did not require officers and employees to submit some itemized receipts for meal expenses. Itemized receipts provided by restaurants to officers and employees must be maintained. 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 02-169 records of meal expenses did not include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, officers failed to record the purpose of the meal or the names of those present for 25 meal expenses, totaling \$1,425.21. 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.

2. Lost Wages

Local 02-169 did not retain adequate documentation for lost wage reimbursement payments to six officers and employees totaling at least \$22,792.66. 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 audit found that Local 02-169 officers failed to identify on the lost wage vouchers the union business conducted and/or the dates the lost wages were incurred.

During the exit interview, I provided a sample of an expense voucher Local 02-169 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.

3. Solidarity & Retirement Party

Adequate documentation was not retained for some disbursements related to the annual Local 02-169 solidarity and retirement party. For example, Local 02-169

paid \$600 to the band Third Degree for entertainment; however, no receipt or supporting documentation could be found in the records. As another example, Local 02-169 disbursed \$400 to Ambassador Travel Ltd for a "gift." No supporting documentation was retained. As previously noted above, all original bills, invoices, receipts, and vouchers related to union disbursements must be retained.

Based on your assurance that Local 02-169 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 02-169 for fiscal year ending December 31, 2007, was deficient in the following areas:

#### 1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because Local 02-169 gave away t-shirts, televisions, DVD players, cameras, and gift cards totaling at least \$5,960.22 during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

#### 2. Disbursements to Officers

Local 02-169 did not include reimbursements to officers totaling at least \$6,639.26 in the amounts reported Item 24 (All Officers and Disbursements to Officers). For example, Treasurer Don Fredrick received at least \$1,551.60 in reimbursed expenses. However, nothing was reported in Column E (Allowances and Other Disbursements). It appears these payments were erroneously reported in Item 54 (Other Disbursements).

Most direct disbursements to Local 02-169 officers and some indirect disbursements made on behalf of its officers must be reported 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).

### 3. Other Receipts

Local 02-169 failed to properly report a refund from its employer in Statement B (Receipts & Disbursements) of the LM-3. During the audit year, Local 02-169 received a reimbursement for "contract talks" in the amount of \$8,942.36 but only \$1,435 was reported in Item 43 (Other Receipts). It appears Local 02-169 erroneously reported this receipt in Item 38 (Dues). The LM-3 instruction state that all receipts other than those reported in Items 38 (Dues), 39 (Per Capita), 40 (Fees, Fines, Assessments and Work Permits), 41 (Interest and Dividends), and 42 (Sale of Investments and Fixed Assets) should be reported in Item 43.

I am not requiring that Local 02-169 file an amended LM report for 2007 to correct the deficient items, but Local 02-169 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issue:

#### Cash Disbursements for Solidarity Party

During the audit, Treasurer Don Fredrick advised that Local 02-169 disbursed cash as prizes at the Local's Solidarity and Retirees Party. Mr. Fredrick stated that he writes a union check to the union's bank, cashes the check and disburses the cash to the member(s) or retiree(s). OLMS recommends that all disbursements be by check directly to the individual receiving the funds in order to ensure internal control over disbursements. A check made payable to "cash" or to the financial instruction and cashed by an officer must be reported as a payment to that officer. Since Mr. Fredrick cashes the check, the cash prizes are considered indirect disbursements for reporting

purposes and must be included in the amount reported next to his name in Item 24, Column E (Allowances and Other Disbursements). OLMS recommends that Local 02-169 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Steelworkers Local 02-169 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. Don Fredrick, Treasurer