



June 4, 2010

Mr. Timothy M. Schafer, President
United Steelworkers Local 2-727
PO Box 401
Menasha, WI 54952-0401

Case Number: [REDACTED]
LM Number: 020155

Dear Mr. Schafer:

This office has recently completed an audit of United Steelworkers Local 2-727 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 Treasurer Michael Kufner on May 28, 2010, 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 2-727's 2009 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 2-727 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by Recording Secretary Scott Peterson and former President Jason Harfiel totaling at least \$1,185. For example, no online registration receipt (or other vendor receipt or course registration confirmation) was found to support a September 2009 credit card charge for \$500 for an event/course at the UW Extension, and no vendor receipt was found to support check [REDACTED] for \$200 to Woodman's Grocery in December 2009 for what was identified on a voucher as "gift certificates."

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Lost Wages

Local 2-727 did not retain adequate documentation for lost wage reimbursement payments to officers totaling at least \$561. 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 2-727 used a voucher to record lost time payments, but some vouchers did not identify the rates of pay and dates lost, as with the vouchers corresponding to the three checks to the trustees in February 2009 for time spent on two audits, and one voucher, which supported check [REDACTED] for \$103 to Trustee Scott Van Fuss, indicated the date wages were lost, but not the rate, number of hours, or union purpose.

During the exit interview, I provided a sample of an expense voucher Local 2-727 may use to satisfy this requirement. This sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

Based on your assurance that Local 2-727 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 2-727 for the fiscal years ended December 31, 2008, and December 31, 2007, were deficient as follows:

Failure to Properly Report Items

Local 2-727 did not properly report certain disbursements on the LM-3. On the 2008 report, Item 50 (Benefits) was changed to "Taxes," and on the 2007 report, Item 50 (Benefits) was changed to "Refreshments and Xmas party," Item 52 (Purchase of Investments and Fixed Assets) was changed to "Dues Refunded," and Item 53 (Loans Made) was changed to "Taxes."

In the introduction to the Financial Details section of the LM-3 instructions, the paragraph headed "REPORTING CLASSIFICATIONS" states, "Complete all items and lines on the form as given. Do not use different accounting classifications or change the wording of any item or line." The instructions for Item 50 require the reporting of benefits to officers, employees, members, and their beneficiaries. The instructions for Item 52 require the reporting of total disbursements for all investments and fixed assets purchased by your organization. The instructions for Item 53 require the total disbursements for loans made by your organization. Regarding taxes, those assessed against and paid by your organization, including FICA taxes as an employer, should have been reported in Item 48 (Office and Administrative Expense), and disbursements for the transmittal of taxes withheld from salaries of officers and employees should have been reported in Item 54 (Other Disbursements). Disbursements for refreshments and party expenses that benefit all the members and refunded dues should also have been reported in Item 54.

I am not requiring that Local 2-727 file an amended LM report for 2008 to correct the deficient items, but Local 2-727 has agreed to properly report the deficient items on all future reports it files with OLMS.

In addition, during the course of the audit the deadline for filing Local 2-727's LM-3 for the fiscal year ended December 31, 2009, occurred, and the 2009 LM-3 is now delinquent. You promised to file the report by June 15, 2010. Please file the report with the OLMS Milwaukee District Office.

I want to extend my personal appreciation to Local 2-727 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. Michael Kufner, Financial Secretary Treasurer