



September 28, 2010

Mr. James Ehlke, President  
Steelworkers Local 02-148  
1201 Gillingham Road  
Neenah, WI 54956-3903

Case Number: [REDACTED]  
LM Number: 042330

Dear Mr. Ehlke:

This office has recently completed an audit of Steelworkers Local 02-148 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 Treasurer Joseph Knaack, and Corresponding Secretary Scott Elliott 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 02-148's 2009 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 02-148 did not retain adequate documentation for reimbursed expenses incurred by officers and employees totaling at least \$4,200. Local 02-148 maintained expense vouchers

but did not always retain original supporting documentation. Corresponding Secretary Scott Elliott incurred at least \$2,000 of lodging, airfare, and rental car expenses for which he submitted no supporting documentation. In addition, at least \$800 was disbursed to officers and employees for per diem for training, but adequate records were not retained. The only records retained were vouchers that did not identify the dates of each trip. In the case of per diem payments to officers for travel on union business, Local 02-148 must maintain records which identify the business purpose of each trip, the dates of travel, the destination, and the per diem rate paid.

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 02-148 did not retain adequate documentation for lost wage reimbursement payments to officers and employees totaling at least \$9,600. Records must be maintained 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 02-148 often failed to include the dates of wages lost or sufficient descriptions of the union business being conducted. During the audit, Local 02-148's provided dates and sufficiently specific descriptions of the union business conducted for the inadequately supported lost time claims. The required documentation must be retained for all lost time claims from this point forward.

## 3. Receipt Dates and Sources Not Recorded

Entries in Local 02-148's general ledger reflect the date money was deposited but not the date money was received. While Treasurer Joseph Knaack and Financial Secretary Gwen Schwarzkopf maintain receipts journals, entries in these journals did not always include receipt dates, showed incorrect receipt dates, and described the receipts only by categories (e.g., dues, t-shirts) and did not identify by name the source of each individual receipt and the amount of each individual receipt. 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 receipts must be recorded when money is actually received, and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received. In addition, the receipts records must identify the amount received, the purpose, and the source of each amount received.

#### 4. Other Expenses

Adequate documentation was not retained for some disbursements related to lodging, travel, training, utilities, and other expenses totaling at least \$6,000. For example, Local 02-148 paid \$1,914.44 to Marriott for lodging expenses for two officers. However, no hotel folio was retained. As another example, at least \$2,600 was disbursed for heat, gas, snow removal, and water for which no supporting documentation was retained. In these instances, Local 02-148 only maintained vouchers and check stubs but no original documentation. Vouchers and check stubs alone are not sufficient to meet the recordkeeping requirement. As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements.

Based on your assurance that Local 02-148 will retain adequate documentation in the future, OLMs will take no further enforcement action at this time regarding the above violations.

#### Reporting Violation

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 02-148 for the fiscal year ended December 31, 2009, was deficient in that:

#### Officers Not Listed and Disbursements to Officers Not Listed

Local 02-148 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). "Officer" is defined in section 3(n) of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA) as any constitutional officer, any person authorized to perform the functions of president, vice president, secretary, treasurer, or other executive functions of a labor organization and any member of its executive board or similar governing body."

Article IX, Section 1 of Local 02-148's bylaws states that the executive board is comprised of the president, vice president, recording secretary, corresponding secretary, financial secretary, treasurer, guard, trustees, and the chairmen and co-chairmen of the grievance and negotiation committees. Local 02-148 did not list the names and the total amount of payments to the chairmen and co-chairmen of the grievance and negotiation committees in Item 24.

Disbursements to some of these officers appear to be erroneously reported in Item 46 (To Employees). All persons who held office during the year must be reported in Item 24 regardless of whether they received any payments from the union.

Most direct disbursements to Local 02-148 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).

I am not requiring that Local 02-148 file an amended LM report for 2009 to correct the deficient items, but Local 02-148 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issue

##### Duplicate Receipts

New members of Local 02-148 pay initiation fees and the first month of dues directly to the Local. Local 02-148 also receives income from hall rentals, refreshment sales, and t-shirt sales. Local 02-148 does not always issue duplicate receipts, or the receipts were issued to other officers who had initially received the money, not to the original source of the receipt. In addition, the duplicate receipts are not numbered. OLMS recommends that Local 02-148 use a duplicate receipt system in which the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to Local 02-148 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. Joseph Knaack, Treasurer  
Mr. Scott Elliott, Corresponding Secretary