

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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March 31, 2009

Mr. Larry Erickson, President
Steelworkers Local 460
16112 89th Ave.
Chippewa Falls, WI 54729

LM File Number: 034-143
Case Number: [REDACTED]

Dear Mr. Erickson:

This office has recently completed an audit of Steelworkers Local 460 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 Rodney Bates on March 9, 2009, 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 460's 2008 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 460 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$1,150. 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 460 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, you were reimbursed \$430.17 for meals that were purchased during negotiations. The names of those who participated in the meals have not been recorded in union records. Union 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. Dues Check-off Reports

During the Opening Interview, Mr. Bates indicated that he has thrown away some dues check-off reports that Local 460 has received from employers. Check-off reports are a union record that is used to verify dues payments received by the local from an employer that is required to be reported in Item 38 (Dues) of the LM-3 Report. As noted above, adequate records must be maintained that can verify, explain, or clarify the receipt of all funds. Local 460 must maintain all dues check-off reports for a period of no less than five years.

Based on your assurance that Local 460 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

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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 460 for fiscal year ending December 31, 2008, was deficient in the following area:

Disbursements to Officers

Local 460 did not include some reimbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). For example, Financial Secretary Rodney Bates received at least \$1,200 in reimbursed expenses; however, \$1,048.10 has been reported in Item 24 of the LM-3. It appears the union erroneously reported some of the payments in Item 48 (Office and Administrative Expense).

Most direct disbursements to Local 460 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 460 file an amended LM report for 2008 to correct the deficient item, but Local 460 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

A review of your union's records revealed some possible discrepancies concerning payments to Financial Secretary Bates by Local 460 for wages he claimed he lost conducting union business during periods when he was also paid by his employer, Pliant Corporation. During the audit, Mr. Bates advised that officers and employees are not entitled to lost wages from Local 460 unless wages are actually lost. Mr. Bates

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stated that the certain payments to him by Pliant Corporation were issued in error. Mr. Bates stated that the number of hours worked as recorded on his employer time card incorrectly indicate he worked at Pliant Corporation during periods that he was conducting union business and was paid by the union. He stated that he accidentally documented the extra hours when recording his total hours on his timecard. Since the exit interview, Mr. Bates indicated that he has reimbursed Pliant Corporation for the excess hours of pay.

Verification of lost time claims submitted by union personnel by either allowing trustees to compare lost time claims to employer records or by requiring union personnel to submit proof of lost wages claimed (for example, time cards) can be an effective internal control for such payments.

I want to extend my personal appreciation to Steelworkers Local 460 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: Rodney Bates, Financial Secretary