

**U.S. Department of Labor**

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March 30, 2009

Mr. Chad Pehlke, President  
Steelworkers Local 741  
W2426 Silver Springs Drive  
Eau Claire, WI 54701

LM File Number: 062-592  
Case Number: [REDACTED]

Dear Mr. Pehlke:

This office has recently completed an audit of Steelworkers Local 741 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 John Hibbard 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 741's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 741 did not retain adequate documentation for reimbursed expenses incurred by union officers on at least five occasions. For example, you were reimbursed \$28.70 for a meal on February 5, 2007. A memo in your general ledger reads "Meals-ARB." A personal credit card receipt has been maintained, however, an itemized receipt and the names of those who participated in the meal have not been maintained.

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. Lack of Salary Authorization

Local 741 did not maintain 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. Local 741 officers received on average a 45% higher salary than authorized in its bylaws. During the interview at the beginning of the audit, Mr. Hibbard stated that officer salaries had been increased in 2005, and that the increase was documented in meeting minutes. Local 741 meeting minutes from February 10, 2005, indicate that "A motion was made and accepted to increase pay for board members by \$20, stewards by \$10." However, the minutes do not identify the authorized salary amounts. Local 741 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries.

3. Lost Wages

Local 741 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$6,595. 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 must be maintained. The audit found that Local 741 maintained copies of leave slips that had been submitted to the employer by members who were absent from work to conduct union business. The leave slips indicate the date the lost wages were incurred, but do not indicate the number of hours lost or the rate of pay. Additionally, the union business conducted that required the lost wages be incurred was not always recorded on the leave slips.

During the exit interview, Mr. Hibbard provided an officer lost wage form that Local 741 is now using. The form indicates the date that lost wages are incurred, the reason for incurring the lost wages, the number of hours lost, and the rate of pay at which lost time is reimbursed.

Based on your assurance that Local 741 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 741 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. 50/50 Raffle

During the interview at the beginning of the audit, Mr. Hibbard stated that the local holds a 50/50 raffle at each of its membership meetings. Members have the option to buy into the raffle. From the proceeds received, half are awarded to the winner of the raffle, and half are retained by the local. The funds retained by Local 741 are saved and used to make larger purchases. Mr. Hibbard indicated that you maintain the cash received from this raffle. Local 741 failed to report receipts and disbursements of raffle funds on Statement B of Form LM-3. The instructions for Statement B of Form LM-3 state that "receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded

when money is actually paid out by the labor organization." Local 741 must report the receipts and disbursements from its 50/50 raffle on the LM-Report.

2. Disbursements to Officers

Local 741 did not include some reimbursements to Mr. Hibbard totaling approximately \$734 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements). The audit revealed that Mr. Hibbard received \$1,372.64 in reimbursed expenses; however, only \$638 was reported in Item 24.

Most direct disbursements to Local 741 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 741 file an amended LM report for 2007 to correct the deficient items, but Local 741 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Steelworkers Local 741 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

Mr. Chad Pehlke  
March 30, 2009  
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cc: John Hibbard, Financial Secretary