

U.S. Department of Labor

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May 12, 2009

Mr. James Roberts
Steelworkers, AFL-CIO
Local 2-1005
46061 Lathers Street
Garden City, MI 48135

LM File Number: 005-134

Case Number: [REDACTED]

Dear Mr. Roberts:

This office has recently completed an audit of Steelworkers Local 2-1005 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 Financial Officer Lisa Deichert on April 21, 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 2-1005's 2008 records revealed the following recordkeeping violations:

1. Receipts Not Accurately Recorded

Entries in Local 2-1005's general ledger reflect the date the union deposited money into its bank account, but not the date that the money was received by the local. Union 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 report. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money.

2. Raffles

Local 2-1005 did not record in its receipts records monies collected from the sale of 50/50 raffle tickets during monthly membership meetings. With respect to the sale of 50/50 raffle tickets at membership meetings, records must be maintained, at a minimum, that explain the number of tickets sold, the price of each ticket, and the amount of money collected. If individuals sell tickets between membership meetings, then records must be kept that identify the name of each person who sells tickets and the date and amount of money that each person turns in to Local 2-1005. Such records must show that the persons who sell tickets fully account for all of the tickets provided to them by returning any unsold tickets along with the money raised from sold tickets. All unsold tickets, and ticket stubs (if any), must be retained. With respect to the distribution of raffle prizes, Local 2-1005 can most easily satisfy the recordkeeping requirement by noting the name of the winner and the amount of the prize in the meeting minutes.

3. Information Not Recorded in Meeting Minutes

During the audit, you and Ms. Deichert advised OLMS that the membership authorizes all disbursements at membership meetings. However, a review of the meeting minutes disclosed a failure to provide accounts of all disbursements

authorizations. For example, authorizations for \$825.40 of lost time payments made to you were not included in the meeting minutes. Minutes of all membership and executive board meetings must clearly and accurately report any disbursements authorizations made at those meetings.

4. Officer Stipend Payments

Local 2-1005 did not maintain records to verify that the \$3,474.72 of stipends reported in Item 24 (All Officers and Disbursements to Officers) of the Form LM-3 were the authorized amounts and, therefore, were correctly reported. Neither the Local 2-1005 Bylaws nor the Steelworkers International Constitution contains a provision for monthly officer stipends. During the audit, the union was unable to provide documentation to support the stipends paid to officers. The union must keep a record, such as meeting minutes, to show the current stipends authorized by the entity or individual in the union with the authority to establish stipends. In addition, where a union issues each officer a single stipend payment at the end of the year, like Local 2-1005 does, it must maintain a record that explains the months for which the officer is being compensated.

5. Invoices, Bills, and Receipts

Local 2-1005 did not retain original invoices, bills, or receipts for \$3,560 in union disbursements. The union maintained check stubs to explain some of the disbursements; however, the check stubs were not sufficient to verify, clarify, or explain 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. As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

Based on your assurance that Local 2-1005 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(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Prior to the audit, Local 2-1005 had never filed a

copy of its constitution and bylaws with OLMS. Local 2-1005 has now filed a copy of its constitution and bylaws with OLMS.

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 2-1005 for the fiscal year ending December 31, 2008, was deficient in the following areas:

1. Disbursements to Officers

Local 2-1005 erroneously reported lost time paid to you and Ms. Deichert in Column (E) of Item 24 (All Officers and Disbursements to Officers) and failed to include expense reimbursement payments to each of you totaling \$2,268.67 in Item 24. The union must report in Column (D) the gross salary paid to officers (before tax withholdings and other payroll deductions), including disbursements for "lost time" or time devoted to union activities. The union must report in Column (E) the total of all other direct and indirect disbursements to each officer other than salary, including allowances, disbursements which were necessary for conducting official business of your organization, and disbursements essentially for the personal benefit of the officer and not necessary for conducting official business of your organization.

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 for room rent charges only) or for transportation by a public carrier (such as an airline) for an officer traveling on union business may be reported in Item 48 (Office and Administrative Expense).

2. Disbursements to Employees

Local 2-1005 reported disbursements of \$2,209 to employees in Item 46 (To Employees). Local 2-1005 did not have any employees during the reporting period. Employees include individuals other than officers who receive lost time

payments even if the labor organization does not otherwise consider them to be employees or does not make any other direct or indirect disbursements to them.

3. Liabilities

Local 2-1005 failed to report in Item 35 (Other Liabilities) withholding taxes that had not been transmitted by the end of the 2007 and 2008 reporting periods. The audit disclosed that the union withheld taxes totaling \$532 in 2007, but did not disburse that money to the U.S. Treasury until 2008. Likewise, the union withheld taxes totaling \$412 in 2008, but did not forward the money to the U.S. Treasury until 2009. The union must report any portion of withheld taxes or any payroll or other deductions that have not been transmitted at the end of the reporting period in Item 35. Disbursements for the transmittal of withheld taxes, payroll deductions, and other deductions must be reported in Item 54 (Other Disbursements).

4. Interest

Local 2-1005 understated the interest earned on its bank accounts by \$109 in Item 41 (Interest and Dividends). The union must report all interest and dividends received from savings and checking accounts, bonds, mortgages, loans, investments, and all other sources.

5. Other Receipts

Local 2-1005 failed to report \$340 in vending machine commissions and 50/50 raffle ticket money collected during monthly membership meetings in Item 43 (Other Receipts). The union must report all receipts not reported in Items 38-42 in Item 43. This includes vending machine commissions, raffle income, sale of supplies, loans obtained, repayments of loans made, rents, and funds collected for transmittal to third parties.

6. Office and Administrative Expense

Local 2-1005 overstated the amount of money it spent on office and administrative expenses by \$681 in Item 48 (Office and Administrative Expenses). The union must report its ordinary office and administrative expenses, for example, rent, utilities, office supplies, postage subscriptions, fidelity bond premiums, etc.

7. Other Disbursements

Local 2-1005 failed to report \$1,070 in disbursements in Item 54 (Other Disbursements). The union must report all disbursements not reported in Items 45-53, including fees, fines, assessments, supplies for resale, repayment of loans obtained, transmittals of funds collected for third parties, educational and publicity expenses, withholding taxes, and payments for the account of affiliates and other third parties.

8. Total Receipts and Disbursements

The total receipts and disbursements reported in Items 44 and 55 (Total Receipts and Total Disbursements, respectively) do not match the total figures in the union's records. The local must accurately report total receipts and total disbursements on its LM-3 report.

The instructions for Statement B (Receipts and Disbursements) of Form LM-3 state that receipts must be recorded when money is actually received by the union and disbursements must be recorded when money is actually paid out by the union. Transfers between separate bank accounts or between special funds of your organization, such as vacation or strike funds, do not represent the flow of cash in and out of your organization. Therefore, these transfers should not be reported as receipts and disbursements of your organization.

I am not requiring that Local 2-1005 file an amended LM report for 2008 to correct the deficient items, but Local 2-1005 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

The audit disclosed the following other issue:

Vouchers

Local 2-1005 currently utilizes a financial safeguard that requires the preparation of a payment voucher only when a check is issued for lost time or reimbursement of officer travel expenses. OLMS recommends that Local 2-1005 require that payment vouchers be properly completed, approved, and supported by documentation before every disbursement of union funds. Payment vouchers should contain an explanation of the disbursement being made and invoices, bills, receipts, etc., that are being paid should be attached. Even where supporting records are not attached, the explanation included on

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the voucher may be useful in providing documentation concerning a particular disbursement represented by a canceled check.

I want to extend my personal appreciation to Local 2-1005 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 are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Lisa Deichert, Financial Officer