



August 3, 2010

Mr. Gary Steinbeck, Director
United Steelworkers Sub-District 1
25111 Miles Road, Suite H
Warrensville Heights, Ohio 44128

Case Number: [REDACTED]
LM Number: 024007

Dear Mr. Steinbeck:

This office has recently completed an audit of United Steelworkers Local Union 01-98-L under the Compliance Audit Program (CAP) to determine the local's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with International Auditor Ron King on July 13, 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 01-98-L's 2009 records revealed the following recordkeeping violations:

1. Vending Machine Receipt Dates not Recorded

Entries in Local 01-98-L's receipts journal reflect the date the union deposited the money, instead of the date the money was received. 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. 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. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

2. Meal Expenses

Local 01-98-L 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, supporting documents for checks issued to "Faces Café" included notations such as "board meeting," but did not include the names of the individuals in attendance. 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. This documentation is necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Due to the local operating under administratorship and its anticipated termination, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

The audit also 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. Local 01-98-L had amended its constitution and bylaws since filing a copy with OLMS dated May 8, 1979, but did not submit an updated copy with its LM report in the year of revision. Due to the local's expected termination, OLMS will take no further enforcement action at this time regarding the violation.

OLMS also reviewed Local 01-98-L's 2008 records and found 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 01-98-L for the fiscal year ended December 31, 2008, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 01-98-L did not include some disbursements to officers reported Item 24 (All Officers and Disbursements to Officers) and employees reported in Item 46 (To

Employees). It appears that the disbursements were properly recorded in the local's journals, but the local neglected to include them on the 2008 LM-3 report.

The union must report most direct disbursements to Local 01-98-L officers and employees and some indirect disbursements made on behalf of its officers and employees in Items 24 and 46. A "direct disbursement" is a payment made to an officer or an employee in the form of cash, property, goods, services, or other things of value. See the instructions for Items 24 and 46 for a discussion of certain direct disbursements that do not have to be reported in Items 24 and 46. An "indirect disbursement" 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 or employee. 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 or employee traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Other Disbursements

Local 01-98-L did not include some disbursements in Item 54 (Other Disbursements). Again, it appears that the disbursements were properly recorded in the local's journals, but the local neglected to include them on the 2008 LM-3 report.

Local 01-98-L must file an amended Form LM-3 for the fiscal year ended December 31, 2008, to correct the deficient items discussed above. During the exit interview, Auditor King agreed to file the amended report on the local's behalf. Please submitted the amended Form LM-3 to this office at the above address as soon as possible, but not later than August 24, 2010. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to United Steelworkers Local Union 01-98-L and Auditor King for the cooperation and courtesy extended during this compliance audit. If I can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Mr. Ron King, International Auditor