



November 22, 2010

Mr. Michael Woods, President  
Steelworkers Local 1938  
307 First Street N  
Virginia, MN 55792-2539

Case Number: [REDACTED]  
LM Number: 017357

Dear Mr. Woods:

This office has recently completed an audit of Steelworkers Local 1938 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, Financial Secretary Chad Daniels, and Treasurer Paul Centa on October 7, 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 1938's 2009 records revealed the following recordkeeping violations:

1. Reimbursed Auto Expenses

Officers and employees who received reimbursement for business use of their personal vehicles did not always retain adequate documentation to support payments to them totaling at least \$2,400 during 2009. While officers and employees submitted vouchers that identified the dates of travel and locations traveled to and from, they sometimes failed to include the business purpose and the number of miles driven. In the case of reimbursed mileage expenses, Local 1938 must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

2. Lost Wages & Allowed Time

Local 1938 did not retain adequate documentation for lost wage and personal time reimbursement payments to you and Financial Secretary Chad Daniels, totaling at least \$3,300. Local 1938 reimburses officers and employees for lost wages and for "allowed time." Officers are reimbursed at a lower rate to perform union business on their personal ("allowed") time when they were not scheduled to work and/or did not work. Records must be maintained in support of lost wage and allowed time claims that identify each date lost wages were incurred or allowed wages were earned, the number of hours lost or allowed on each date, the applicable rate of pay, and a description of the union business conducted. The audit found that Local 1938 maintained vouchers in support of lost wage and allowed time, but the vouchers did not always include the dates or identify the business conducted.

3. Direct Disbursements to Vendors

Local 1938 did not retain adequate documentation for expenses paid directly to hotel and restaurant vendors totaling at least \$3,600. For example, at least \$2,700 was disbursed to hotels for lodging related to conferences and conventions for which no supporting documentation was retained. As another example, Local 1938 disbursed at least \$700 to restaurants for membership meeting refreshments for which no supporting documentation was retained, or only a copy of the vendor receipt was retained.

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.

4. Disposition of Property

Local 1938 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The audit revealed Local 1938 disbursed at least \$6,300 during 2009 for

these items. Financial Treasurer Chad Daniels indicated that items most items were given away to retirees and new members. Although there were no sale of supplies in 2009, jackets are occasionally purchased and sold to members. The value of any union property on hand at the beginning and end of each year must be reported in Item 28 (Other Assets) of the LM-2. An inventory or similar record of property on hand must be maintained to verify, clarify, and explain the information that must be reported in Item 28.

Based on your assurance that Local 1938 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-2) filed by Local 1938 for the fiscal year ended December 31, 2009, was deficient in the following areas:

#### 1. Acquire/Dispose of Property

Item 15 of the LM-2 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because Local 1938 gave away jackets to retirees and t-shirts to new members during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

#### 2. Disbursements to Officers and Employees & 401(k) Disbursements

Local 1938 did not include salary payments to four officers and employees totaling at least \$11,000 in Column D (Gross Salary Disbursements) of Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). At an officer or employee's request, Local 1938 withholds funds from lost wage payments and remits them on behalf of the officer or employee to the employer administered 401(k) retirement plan. Local 1938 does not contribute or match the contributions made to the 401(k) plan. Local 1938 did not include the amounts of the contributions in the total gross wages reported in Column D of Schedules 11 and 12. These payments were erroneously reported in Schedule 20 (Benefits), which shows a disbursement for "401(k)" in the same amount as the amount withheld from wages.

#### 3. Allowances Reported as Disbursements for Official Business

Local 1938 improperly reported at least \$3,600 in officer expenses allowances to six officers and one employee in Column F (Disbursements for Official Business) instead of

Column E (Allowances Disbursed) of Schedules 11 and 12. Section 1 of Local 1938's Financial Agreement states the president, vice president, recording secretary, financial secretary, treasurer, and safety chair are reimbursed \$50 per month for expenses. You and Financial Secretary Chad Daniels advised the payments are intended to reimburse officers and the safety chair for non-specific expenses they may incur during the month. The LM-2 instructions for Schedules 11 and 12 require that disbursements to officers and employees for allowances not paid on the basis of meals or mileage be reported in Column E.

4. Per Capita Tax Payments

Local 1938 did not include per capita tax payments to Steelworkers (USW) International Union totaling at least \$2,400 in Item 56 (Per Capita Tax). Local 1938 withholds dues from officers' and employees' lost time payments and remits the total dues collected to the USW for per capita taxes once per quarter; however, nothing is reported in Item 56. It appears these payments were erroneously reported in Item 67 (Withholding Taxes and Payroll Deductions).

I am not requiring that Local 1938 file an amended LM report for 2009 to correct the deficient items, but Local 1938 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Local 1938 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. Chad Daniels, Financial Secretary  
Mr. Paul Centa, Treasurer