



June 23, 2010

Mr. Lovie Reid, Financial Secretary
Steelworkers AFL-CIO
Local 09-8573
PO Box 67
Granite Quarry, NC 28072

Case Number: [REDACTED]
LM Number: 509589

Dear Mr. Reid:

This office has recently completed an audit of Steelworkers AFL-CIO, Local 09-8573 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 Treasurer Tim Holshouser and you on June 17, 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 09-8573's 2009 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Entries in Local 09-8573's treasurer's receipts journal reflects the date the union deposited money, but not the date money was received. The financial secretary's ledger reflected the month receipts were received, but not 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. General Reimbursed and Credit Card Expenses

Local 09-8573 did not retain adequate documentation for direct disbursements and reimbursed expenses incurred by Treasurer Tim Holshouser and you totaling at least \$787.11. For example, there were no receipts for a \$350 disbursement to USWA District 9 Education Fund, \$300 to the Geneva Oglesby Community Center, and reimbursements for stamps and a business luncheon.

As 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.

3. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$667 during 2009. The union 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.

4. Lost Wages

Local 09-8573 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$1786.14. The union must maintain 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. The OLMS audit found that Local 09-8573 has a voucher form that requests the required information; however, officers were not completely filling out the forms. The date of the lost time, number of hours, and union business conducted was not being completed on the forms.

Based on your assurance that Local 09-8573 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 09-8573 for the fiscal year ended December 31, 2009, was deficient in the following areas:

1. Disbursements to Officers

Local 09-8573 did not include some indirect disbursements to officers by way of reimbursements to Norandal Inc. for lost time totaling at least \$15,787.55 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 union must report most direct disbursements to Local 09-8573 officers and some indirect disbursements made on behalf of its officers 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).

2. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

I am not requiring that Local 09-8573 file an amended LM report for 2009 to correct the deficient items, but Local 09-8573 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Lost Time Policy

As I discussed during the exit interview, the audit revealed that Local 09-8573 does not have a clear policy regarding reimbursement for lost time. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Rental Agreements

During the opening interview, you stated that you have a non-written agreement with one member who pays \$50 per month for storage; however, union records and a subsequent interview with that member revealed that he has been paying \$50 every other month. OLMS recommends that you create a written agreement to clarify the terms of the rental agreement.

I want to extend my personal appreciation to Steelworkers Local 09-8573 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,



Senior Investigator

cc: Mr. Robert Nicholson, President