



February 12, 2016

Mr. Jesus Vaca, Financial Secretary  
United Steelworkers Local Union 326  
432 First Street  
Rodeo, CA 94572

Case Number: 530-6006665 [REDACTED]  
LM Number: 042556

Dear Mr. Vaca:

This office has recently completed an audit of United Steelworkers Local Union 326 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 President Michael Miller and you on January 7, 2016, 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 326's 2014 records revealed the following recordkeeping violations:

#### 1. General Reimbursed and Credit Card Expenses

Local 326 did not retain adequate documentation for reimbursed expenses and debit card expenses incurred by union officers and employees totaling at least \$5,879.09. For example, receipts were missing for a \$238.79 purchase at SmartSign, a \$169.48 charge at Grand Sierra, \$1600.00 in charges at MGM Grand, and \$369.00 at Amazon. Inadequate

supporting documentation for purchases was available including a \$670.00 charge at USPS, a \$200.00 charge at Home Depot, and a \$767.85 charge at Safeway.

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.

## 2. Meal Expenses

Of the \$5,879.09 in expenses discussed above lacking adequate documentation, Local 326 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$1,572.77. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 326 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 documentation was missing for a \$63.25 charge at D's Giant Burgers, a \$259.25 charge at Jocko's, and an \$11.65 charge at Starbucks. Non-itemized receipts with a lack of adequate written explanation included a \$427.22 in charges at Jocko's, a \$122.86 charge at Rib Line by the Beach, a \$72.59 charge at MGM Avenue Café, \$182.20 in charges at Ventana Grill, a \$118.05 charge at Chevy's, and a \$95.00 charge at Famous Dave's BBQ. 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.

## 3. Reimbursed Auto Expenses

Financial Secretary Jesus Vaca received reimbursement for business use of his personal vehicle and did not retain adequate documentation to support payments to him totaling at least \$206.08 during 2014. 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. Failure to Record Receipts

Local 326 did not record in its receipts records some money received by the Women of Steel through the sale of candy for cash. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 326's LM report. You should be aware that under the provisions of Section

209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

#### 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 326 for the fiscal year ended December 31, 2014, was deficient in the following areas:

##### Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Local 326'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.

Local 326 must file an amended Form LM-3 for the fiscal year ended December 31, 2014, to correct the deficient items discussed above. I encourage Local 326 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than February 19, 2016 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

I want to extend my personal appreciation to United Steelworkers Local Union 326 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. Michael Miller, President