



May 19, 2017

Mr. John Dec, Financial Secretary
Steelworkers Local 1011
3629 Euclid Avenue
East Chicago, IN 46312-2122

Case Number: 310-6009856 [REDACTED]

LM Number: 008620

Dear Mr. Dec:

This office has recently completed an audit of Steelworkers Local 1011 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, President, Lonnie Asher and Treasurer, Kenneth Matusiak on May 11, 2017, 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 1011's 2015 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 1011 records of meal expenses did not include the names and titles of the persons incurring the restaurant charges. For example, there were at least twelve instances totaling approximately \$1,577.21 where union officers were reimbursed for lunches and dinners,

but the supporting documentation maintained did not list the names and titles of the persons incurring the restaurant charges.

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.

2. Lost Wages

Local 1011 did not retain adequate documentation for lost wage reimbursement payments to union officers on at least 16 occasions. 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 1011 retained the check stub, cancelled check, and voucher; however, the Local did not maintain a record of the weekly incentive percentage rates that were used to calculate the union officers' lost-time rate of pay.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 1011 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

3. Disposition of Property

Local 1011 did not maintain an inventory of hats and t-shirts it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28. The union must record in at least one record the date and amount received from each sale of union hats and t-shirts.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

Based on your assurance that Local 1011 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 1011 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 15 (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 the union gave away t-shirts and hats during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Over Reported Disbursements – Voided Checks

The audit disclosed that Local 1011 maintained several original voided checks but failed to void the disbursements in its check register or monthly disbursement report in NOVA, which is the union's electronic financial recordkeeping software. It appears that the union utilized the total disbursements in the NOVA software in order to complete the LM-2 report and mistakenly reported the voided checks as disbursements. For example, check number [REDACTED] payable to Treasurer Kenneth Matusiak for \$2,602.56 (gross) in lost time was voided but appears to have been mistakenly reported in Schedule 11D (All Officers and Disbursements to Officers – Gross Salary). In addition, check number [REDACTED] payable to Matusiak for \$5,711.82 in reimbursed expenses was voided but appears to have been mistakenly reported in Schedule 11F (All Officers and Disbursements to Officers – Disbursements for Official Business). Further, there were at least seven additional checks (check numbers: [REDACTED]) totaling at least \$3,071.65 that were payable to officers and various third parties that were voided but appear to have been mistakenly reported as disbursements in Statement B of the LM-2.

3. Disbursements to Employees (Gross Salary)

The audit disclosed that Office Secretary Mary Allen received a gross salary of approximately \$51,209.60 during the audit period, however, only \$51,148 in gross salary was reported in Schedule 12D (Disbursements to Employees – Gross Salary), a difference of \$61.60.

4. Disbursements to Officers

Local 1011 did not report Trustee, Clark Troupes and the total amounts of payments to him in Schedule 11 (All Officers and Disbursements to Officers). The union must report in Schedule 11 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report in Column F of Schedules 11 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they

incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 any direct or indirect disbursements to union officers for expenses not necessary for conducting union business.

5. Disbursements to Employees (Benefit Payments)

A benefit payment to Office Secretary Mary Allen totaling \$2,100.36 was erroneously posted on Schedule 12F (Disbursements to Employees - Disbursements for Official Business). The LM-2 instructions require direct disbursements for officer benefits to be reported in Schedule 20 (Benefits).

6. Number of Members

Local 1011 failed to report its number of members in Item 20 (How many members did the labor organization have at the end of the reporting period?) and corresponding Schedule 13 (Membership Status). The audit revealed the union had approximately 1,234 members towards the end of 2015.

7. Failure to File Bylaws

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. Local 1011 amended its constitution and bylaws in 2012, but did not file a copy with its LM report for that year.

Local 1011 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 1011 file an amended LM report for 2015 to correct the deficient items, but Local 1011 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Steelworkers Local 1011 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,

Mr. John Dec
May 19, 2017
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[REDACTED]
Investigator

cc: Mr. Lonnie Asher, President
Mr. Kenneth Matusiak, Treasurer