



July 23, 2018

Mr. Frank Martin, Financial Secretary
USW Local 7703
125 W. Washington Street
Shelbyville, IN 46176

Case Number: 350-6013143 [REDACTED]
LM Number: 542-947

Dear Mr. Martin:

This office has recently completed an audit of USW Local 7703 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 and President Kip Vore on June 22, 2018, 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 7703's 2017 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 7703 did not retain adequate documentation for reimbursed expenses incurred by union officers. For example, an expense voucher for former President Keith Coon claimed eight days of per diem for travel to the USW convention; however, the flyer attached to the voucher indicated the convention was a four-day event. Local 7703's records provided no

additional documentation or explanation for the additional four days of per diem. You explained during the exit interview that Mr. Coon was authorized to travel to the convention several days early to help set up. The approval of the additional travel expense was not reflected in Local 7703's meeting minutes or other records.

As noted above, labor organizations must retain sufficiently descriptive records by which all disbursements can be verified, explained, and clarified. 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. Lost Wages

Local 7703 did not retain adequate documentation for lost wage reimbursement payments to union officers in at least 42 instances. 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 7703 did not provide the applicable rate of pay or number of hours on many of the lost wage vouchers.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 7703 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. Failure to Record Receipts

Local 7703 did not record in its receipts records cash received from the sale of Christmas party tickets totaling at least \$2,285.00. 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.

4. Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that all disbursements must be approved by the membership by way of the Local 7703 bylaws, standing financial motions approved at the January meeting of each year, or by vote at a membership meeting in advance. A review of the local's bylaws and all meeting minutes for the 2017 fiscal year did not reveal an approved budget for the Christmas parties nor did it reveal membership approval for individual disbursements for the Christmas party.

You and Mr. Vore also advised OLMS during the audit that executive board members are entitled to claim lost wages if they miss work to attend executive board meetings. However, Local 7703's bylaws and the 2017 standing financial motions are silent with regard to lost wages in this circumstance and there are no notations in the meeting minutes to indicate the membership approved these lost wages.

Based on your assurance that Local 7703 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 7703 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Cash Reconciliation

It appears that the cash figures reported in Item 25(B) (Cash at End of Reporting Period) are not the figures according to Local 7703'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.

2. Failure to Report Cash Receipts and Disbursements in Statement B

Local 7703 did not report in Item 43 (Other Receipts) the cash receipts obtained from the sale of Christmas party tickets totaling \$2,285.00. Additionally, the disbursement of these funds was not reported in Item 54 (Other Disbursements). The instructions for Statement B state that all receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization.

I am not requiring that Local 7703 file an amended LM report for 2017 to correct the deficient items, but Local 7703 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to USW Local 7703 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,

[REDACTED]
Investigator

cc: Mr. Kip Vore, President