



June 26, 2018

Mr. Roy L. Griffith, Secretary Treasurer  
Independent Steel Workers Alliance  
106 Bolivia Avenue  
Bartonville, IL 61607-2524

Case Number: 310-6007367 [REDACTED]  
LM Number: 045-347

Dear Mr. Griffith:

This office has recently completed an audit of Independent Steel Workers Alliance 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 Tim Potter, bookkeeper Jean Towle and you on June 8, 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 ISWA's 2016 records revealed the following recordkeeping violations:

#### 1. General Expenses

The ISWA did not retain adequate documentation for disbursements made to [REDACTED] totaling at least \$2,600. You advised that the disbursements were for monthly cleaning

services. There were no invoices, service details, service dates, or any other details found in the union records.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. During the exit interview, we discussed that in the absence of a contract or invoiced cleaning services, the union's should authorize recurring expenditures in meeting minutes to include the frequency, list of services and cost for cleaning services. The president and secretary treasurer of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

## 2. Failure to Record Donations

The ISWA did not record in its receipts or disbursement records the collection of donations on behalf of members totaling approximately \$3,980. The only record for these activities appeared in the meeting minutes. During the exit interview, you advised that the donations were collected at the employer gate, counted at the union hall, and distributed on unknown dates to two members in need. You acknowledged that no receipt or disbursement records are maintained related to these collections because you did not consider the collection reportable union funds. Union receipt records must include the source of the funds, the amount received, the purpose of the payment and the date the payment was received. Similarly, disbursements should include the date, recipient, and the nature of the union business requiring the disbursement.

## 3. Failure to Properly Record Rental Receipts

ISWA financial records indicate that at least \$1,950 in rental receipts were received by ISWA during the fiscal year ended June 30, 2016. Only \$1,350 could be traced to bank deposits. During the exit interview, you advised that the missing deposits were likely refundable rental deposits returned to the renter in the form of cash or renter's checks that were returned or shredded. No records were maintained to document when or if deposits were returned to renters. Bookkeeper Jean Towle further advised that the union's auditor instructed the union not to enter the refundable portion into QuickBooks, the union's principle accounting source.

The LMRDA requires that unions maintain adequate records by which each receipt and each disbursement of funds can be verified, explained, and clarified. Further, the LM-2 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.

## 4. Lack of Salary Authorization

ISWA did not maintain records to verify that the salary reported in Schedule 12 (Disbursements to Employees) of the LM-2 for bookkeeper Jean Towle was the authorized amount and therefore was correctly reported. Ms. Towle's hourly rate, vacation, leave, and overtime entitlements could not be verified. The union must keep a record, such as

meeting minutes, to show the current salary and benefits authorized by the entity or individual in the union with the authority to establish salaries.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file the ISWA LM-2 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-2 filed by the ISWA for the fiscal year ended June 30, 2016 was deficient in the following areas:

1. Failure to Record Donations

The ISWA did not report the "gate collection" and disbursement of cash donations collected on behalf of members in need totaling approximately \$3,980 during the fiscal year. The receipt of donated funds should have been reported in Item 48 (Other Receipts) and their disbursement in Item 52 (Contributions, Gifts and Grants).

2. Failure to Properly Record Rental Receipts

Hall rental receipts totaling at least \$600 were not reported as a receipt or disbursement on the on the LM-2 report for the fiscal year. You advised that the missing deposits were likely refundable rental deposits returned to the renter in the form of cash or deposit checks were returned or shredded.

Per the LM-2 instructions, Statement B reports all cash flowing in and out of the labor organization, and "netting" is not permitted. "Netting" is the offsetting of receipts against disbursements and reporting only the balance (net) as either a receipt or disbursement. In the future, you must report all non-refundable rental income in Item 42 (Rents); refundable security deposits should be reported in Item 48 (Other Receipts); and the refunded security deposits disbursement (or check destruction) should be reported in Item 53 (General Overhead).

3. 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. ISWA made various amendments to its constitution and bylaws during the period 2001 through 2015, but did not file a copy with its LM report for any of those years.

The ISWA has now filed a copy of its constitution and bylaws.

I am not requiring that your union file an amended LM report for 2016 to correct the deficient items, but you have agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Independent Steel Workers Alliance 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. Tim Potter, President

Enclosures