



March 7, 2018

Mr. Heath Laney, President
Steelworkers AFL-CIO
Local 09-518

Case Number: 410-6009707 [REDACTED]
LM Number: 517-633

Dear Mr. Laney:

This office has recently completed an audit of Steelworkers AFL-CIO Local 09-518 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, Financial Secretary John Duncan, and District 9 Sub-District Director Tommy Wright on February 12, 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 09-518's 2016 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 09-518 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officials totaling at least \$4,262.83. For example, union officials incurred traveling expenses pertaining to lodging, per diem, and mileage, but did not maintain supporting any receipts, vouchers or similar documentation.

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. Lost Wages

Local 09-518 did not retain adequate documentation for lost wage reimbursement payments totaling at least \$3,526.13. 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 09-518 did not retain any records relating to lost wage reimbursement payments.

During the exit interview, I provided a copy of a sample voucher contained in the *Steelworkers Local Union Financial Officer's Manual* as well as a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 09-518 may use to satisfy this requirement. The samples identify the type of information and documentation that the local must maintain for lost wages and other officer expenses.

3. Lack of Authorization

Local 09-518 did not maintain records to verify that bereavement donations totaling at least \$345.85 were authorized. The union must keep a record such as meeting minutes, to show that donations were authorized by the entity or individual in the union with the authority to establish such disbursements.

4. General Expenses

Local 09-518 did not retain adequate documentation for general expenses totaling at least \$1,932.40. For example, Local 09-518 did not retain receipts or similar documentation for disbursements relating to taxes and professional fees totaling at least \$494.97. Additionally, the local purchased T-shirts for the membership and flowers totaling at least \$1,437.43, but did not retain documentation to support the expenditures.

5. Failure to Record Receipts

Local 09-518 did not record in its receipts records employer dues deduction and restitution receipts as well as interest earned on its savings accounts totaling at least \$27,552.40. For example, the local did not record \$27,138.60 in dues receipts as well as \$361.24 in restitution payments and \$52.56 in interest income and its records. 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.

Based on your assurance that Local 09-518 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 09-518 for the fiscal year ended December 31, 2016, was deficient in the following areas:

1. Disbursements to Officers

Local 09-518 did not include some reimbursements to officers totaling at least \$684 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54.

The union must report most direct disbursements to Local 09-518's 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).

The amounts appearing in column (F) of Item 24 are incorrect. The amounts in column (F) should be the sum of columns (D) and (E).

In some instances, entries were made in columns (A) and (B) of Item 24, but corresponding columns (D), (E), and (F) did not contain a number or "0." Additionally, lines 10 and 11 of Item 24 were not completed. These items should be completed with a number or "0."

The LM-3 instructions require all financial items to be completed with a number or "0." Additionally, all amounts must be reported in dollars only, and cents are rounded to the nearest dollar. Amounts ending in \$.01 through \$.49 should be rounded down. Amounts ending in \$.50 through \$.99 should be rounded up.

2. Fidelity Bond

Item 20 (Fidelity Bond) of the LM-3 was unanswered. The LM-3 instructions require a number or "0" for items requiring a dollar amount. The bond coverage for your union is equivalent to 10% of the amount of funds handled as determined by the latest LM report for persons required to be bonded under the Labor-Management Reporting and Disclosure Act of 1959.

3. Dues and Fees

Item 23 (a) of the LM-3 report does not indicate the correct dues rate and the payment frequency. The LM-3 instructions state that line 23 (a) should include the regular dues or fees or other periodic payments which a member must pay to be in good standing in your organization and enter the calendar basis for the payment (per month, per year, etc.). If your organization requires members to pay working dues as a part of regular dues, also report the amount or percent of "working" dues and enter the basis for the payment (per hour, per month, etc.). Include only the dues or fees of regular members and not dues or fees of members with special rates, such as apprentices, retirees, or unemployed members.

4. Statement A – Assets and Liabilities

Local 09-518 did not report monies in its savings account on its LM report. The LM-3 instructions require that the total of all your organization's cash or hand and on deposit at the start and end of the reporting period in columns (A) and (B), respectively, of Item 25 (Cash). Include all cash on hand, such as undeposited cash, checks, and money orders, petty cash; and cash in safe deposit boxes. Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money markets accounts. Also include any interest credited to your organization's account during the reporting period.

Local 09-518 did not answer Items 26(A) – 30(A) (Asset Items – Start of Reporting Period) and Items 26(B) – 30(B) (Asset Items – End of Reporting Period) as well as Items 32(C) – 36(C) (Liability Items – Start of Reporting Period) and Items 32(D) – 36(D) (Liability Items – End of Reporting Period). These items must be completed with the appropriate number or "0."

Item 37(C) (net assets – start of reporting period) must equal Item 31 (A) (Total Assets – Start of Reporting Period) less Item 36 (C) (Total Liabilities – Start of Reporting Period) and it must be the same as the entry in Item 37(D) (Net Assets – end of reporting period) on your union's prior year Form LM-3 or an adequate explanation must be provided in

Item 56 (additional information). Additionally, Item 37(D) (net assets – end of reporting period) must equal Item 31(B) less Item 36 (D).

5. Statement B – Receipts and Disbursements

Local 09-518 did not answer Items 39 (Per Capita Tax), Item 40 (Fees, Fines, Assessment, & Work Permits), Item 41 (Interest and Dividends), Item 42 (Sale of Investments & Fixed Assets), Item 43 (Other Receipts), and Item 44 (Total Receipts). Item 44 must contain the total of Item 38 through 43. Additionally, Local 09-518 did not answer Items 47 (Per Capita Tax), Item 50 (Benefits), Item 52 (Purchase of Investments & Fixed Assets, and Item 53 (Loans Made). These must be completed with a number or “0.”

6. Signatures

Local 09-518’s Form LM-3 contained only one signature, which was the signature of the financial secretary. However, there was no explanation in Item 56 (Additional Information) stating why the report did not contain two signatures.

The LM-3 instructions state that a completed Form LM-3 must be signed by both the president and treasurer, or corresponding principal officers of the labor organization. If the duties of the principal executive or principal financial officer are performed by an officer other than the president or treasurer, the report may be signed by the other officer. If the report is signed by an officer other than the president or treasurer, enter the correct title in the title field next the signature and explain in Item 56 (Additional Information) why the president or treasurer did not sign the report.

The Labor Organization Annual Report (Form LM-3) filed by Local 09-518 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Disbursements to Officers

Local 09-518 completed Item 24 (All Officers and Disbursements to Officers) on the continuation page instead of the first page of Item 24. Local 09-518 should use the continuation pages after the first page has been fully completed.

2. Incorrect Form

Local 09-518 completed the report on an expired form. The latest form can be found on the OLMS web site at www.olms.gov. However, using the OLMS Electronic Forms System (EFS) is the fastest, most accurate way to complete and file Form LM-3. Information about EFS can be found on the OLMS web site.

3. Fidelity Bond

Item 20 (Fidelity Bond) of the LM-3 was unanswered. The LM-3 instructions require a number or "0" for items requiring a dollar amount. The bond coverage for your union is equivalent to 10% of the amount of funds handled as determined by the latest LM report for persons required to be bonded under the Labor-Management Reporting and Disclosure Act of 1959.

7. Statement A – Assets and Liabilities

Local 09-518 did not report monies in its savings account on its LM report. The LM-3 instructions require that the total of all your organization's cash or hand and on deposit at the start and end of the reporting period in columns (A) and (B), respectively, of Item 25 (Cash). Include all cash on hand, such as undeposited cash, checks, and money orders, petty cash; and cash in safe deposit boxes. Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money markets accounts. Also include any interest credited to your organization's account during the reporting period.

Local 09-518 did not answer Items 26(A) – 30(A) (Asset Items – Start of Reporting Period) and Items 26(B) – 29(B) (Asset items – End of Reporting Period) as well as Items 32(C) – 36(C) (Liability Items – Start of Reporting Period) and Items 32(D) – 36(D) (Liability Items – End of Reporting Period). These items must be completed with the appropriate number or "0."

Item 37(C) (Net Assets – Start of Reporting Period) must equal Item 31 (A) (Total Assets) less Item 36 (C) (Total Liabilities – Start of Reporting Period) and it must be the same as the entry in Item 37(D) (Net Assets – End of Reporting Period) on your union's prior year Form LM-3 or an adequate explanation must be provided in Item 56 (Additional Information). Additionally, Item 37(D) (Net Assets – End of Reporting Period) must equal Item 31(B) (Total Assets – Start of Reporting Period) less Item 36 (D) (Total Liabilities – End of Reporting Period).

8. Statement B – Receipts and Disbursements

Local 09-518 did not answer Items 39 (Per Capita Tax), Item 40 (Fees, Fines, Assessment, & Work Permits), Item 41 (Interest and Dividends), Item 42 (Sale of Investments & Fixed Assets), and Item 43 (Other Receipt). These items must be completed with a number or "0."

Local 09-518 did not answer Items 47 (Per Capita Tax), Item 50 (Benefits), Item 52 (Purchase of Investments & Fixed Assets, and Item 53 (Loans Made). These must be completed with a number or "0."

Item 45 (To Officers) was not answered. This item must be completed with the number from Line 11 (Net Disbursements) of Item 24 (All Officers and Disbursements to Officers).

Local 09-518 must file an amended Form LM-3 for the fiscal years ended December 31, 2015 and December 31, 2016, to correct the deficient items discussed above. I encourage Local 09-518 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at 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 April 9, 2018 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.

Other Issue

Restitution Checks

Local 09-518 failed to negotiate at least \$361.24 in restitution checks that it received during the period January 1, 2015 through January 31, 2017. The union should promptly deposit all monies when received.

I want to extend my personal appreciation to Steelworkers Local 09-518 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Mr. John Duncan, Financial Secretary
Mr. Tommy Wright, District 9 Sub-District Director