



August 27, 2018

Mr. David Clark, President
Steelworkers Local 2175
PO Box 202004
Bloomington, MN 55420

Case Number: 320-6011730
LM Number: 030110

Dear Mr. Clark:

This office has recently completed an audit of Steelworkers Local 2175 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, Treasurer Craig West and Financial Secretary David Rogstad on June 14, 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 2175's 2015 and 2016 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 2175 did not retain adequate documentation for reimbursed expenses incurred by officers totaling at least \$199. For example, Mr. West was reimbursed \$49.95 for Internet service on October 6, 2016; however, no supporting documentation was maintained by Local 2175 for this reimbursement, which is not sufficient.

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. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$611 during 2016. Mileage reimbursements were claimed on expense vouchers that normally identified the date of travel, number of miles driven, and rate of reimbursement; however, the expense vouchers were insufficient because they failed to identify the locations traveled to and from. For example, Recording Secretary Rachel Zahratka received a mileage reimbursement of \$169.20 on July 1, 2016 for attending the Women of Steel Seminar. In support of this claim, the union maintained a voucher, but the voucher was not sufficient because it failed to identify the locations traveled to and from. 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.

3. Lost Wages

Local 2175 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$1,102. 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 audit found that Local 2175 maintained vouchers for lost wage reimbursements, but in some instances the vouchers were not sufficient because they did not always identify the dates that lost wages were incurred. For example, member Sadie Mann received a \$583 lost wage reimbursement on December 15, 2015 for attending the Women of Steel Conference. The union retained a voucher in support of this expense, but the voucher was not sufficient as it did not identify the dates that the lost wages were incurred.

4. Lack of Salary Authorization

Local 2175 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and,

therefore, were correctly reported. During the audit year, several union officers held more than one position with the local and received compensation for each position held. For example, Mr. Rogstad simultaneously held the positions of Treasurer and Grievance Chair, and the local paid him salary for each of these positions. During the audit, you stated that the local's past practice authorizes individuals to be paid multiple salaries if they hold multiple positions in the local, but that this policy is not in writing. Further, you stated that you were unaware that the Steelworkers International Union has a policy that prohibits individuals from being paid multiple salaries even if they hold multiple positions with a local. During the exit interview, you stated that Local 2175 has stopped the practice of paying multiple salaries to individuals who hold more than one position in the local.

The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 2175 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 2175 for the fiscal year ended December 31, 2016, was deficient in the following areas:

1. Disbursements to Officers

Local 2175 did not include some reimbursements to officers totaling at least \$891 in the amounts reported Item 24 (All Officers and Disbursements to Officers). For example, the audit revealed that Mr. West was reimbursed \$188.32 for purchasing various office supplies; however, the total amount reported for him in Column E (Allowances and Other Disbursements) of Item 24 was \$0. It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expenses).

The union must report most direct disbursements to Local 2175 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).

2. Acquire/Dispose of Property

Item 13 (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 door prizes and retirement gifts totaling at least \$465 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.

I am not requiring that Local 2175 file an amended LM report for 2016 to correct the deficient items, but Local 2175 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 2175 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. Craig West, Treasurer
Mr. David Rogstad, Financial Secretary