



March 5, 2019

Mr. Brian Miller, Financial Secretary  
Steelworkers, AFL-CIO, Local 7876  
2882 Dineen Ave.  
Decatur, IL 62526

Case Number: 310-6014852 [REDACTED]  
LM Number: 043117

Dear Mr. Miller:

This office has recently completed an audit of Steelworkers Local 7876 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 Gerald Collier on February 14, 2019, 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 7876's 2017 records revealed the following recordkeeping violations:

#### 1. General Expenses

Local 7876 did not retain adequate documentation for 36 ACH debits from its checking account totaling approximately \$8,812.66, which includes \$2,959.50 in lodging expenses, \$2,113.80 in airline tickets, \$1,730.45 in office supplies, \$1,350.24 in Christmas party supplies, and \$180.00 in luggage fees. The Local did not maintain receipts or invoices to

support these purchases, and for a majority of the ACH debits, the nature of the union business requiring the disbursements was not recorded in the Local's records. Checking account statements alone are not sufficient to fulfill the recordkeeping requirement for ACH debits.

In addition, the union did not maintain adequate documentation for 90 disbursements by check totaling approximately \$20,558.82. For example, Local 7876 did not record the union purpose for \$4,564.00 in travel per diem, \$871.30 in mileage and parking fee reimbursements, and \$358.63 in officer reimbursements in any union records. In the case of the officer reimbursements and mileage and parking fee reimbursements, Local 7876 did not maintain any receipts or invoices.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and financial secretary (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records. In the case of reimbursed auto expenses, 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.

## 2. Lost Wages

Local 7876 did not retain adequate documentation for 57 lost wage reimbursement payments to 9 union officers totaling at least \$17,081.91. 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 7876 did not retain any documentation containing the required information noted above.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 7876 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. Lack of Salary Authorization

Local 7876 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. 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.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 7876's LM 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-3 filed by Local 7876 for the fiscal year ended December 31, 2017, was deficient in the following areas:

#### 1. Disbursements to Officers

Local 7876 did not report approximately \$1,170 in travel allowances and mileage reimbursements paid to then President Steven Boyd in Item 24 (All Officers and Disbursements to Officers), Column E (Allowances and Other Disbursements). It appears the union erroneously reported these payments in Item 24, Column D (Gross Salary).

The union must report most direct disbursements to Local 7876 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).

In addition, Local 7876 reported \$0 in the "less deductions" field in Item 24 even though approximately \$6,483.50 in taxes were withheld from officers' salary and lost wage reimbursement checks during the audit year. The failure to properly report tax withholdings in Item 24 resulted in gross salary and gross lost time reimbursements being reported in Item 45 (Disbursements to Officers) rather than the net amount. The LM-3 Instructions require withheld taxes, payroll deductions and other deductions to be reported in the "less deductions field" in Item 24 and the eventual disbursement of withholding taxes to be reported in Item 54 (Other Disbursements).

#### 2. Officers Not Listed

Local 7876 did not report the names of some officers in Item 24 (All Officers and Disbursements to Officers) with the total amount of payments to them or on their behalf. The LMRDA defines "officer" as any constitutional officer, any person authorized to perform the functions of president, vice president, secretary, treasurer, or other executive functions of a labor organization, and any member of its executive board or similar governing body. The audit revealed that Local 7876 had at least 3 trustees who were executive board members that were not identified in Item 24. The names of all persons who held office during the year must be reported in Item 24 regardless of whether or not they received any payments from Local 7876.

3. Statement A – Assets and Liabilities

Local 7876 did not report the start and end of the year balance of its certificate of deposit on the LM-3 report. Local 7876's certificate of deposit had a balance of approximately \$12,928.94 during 2017. The LM-3 instructions requires cash on deposit at the start and end of the reporting period, which includes funds in checking accounts, savings accounts, certificates of deposit, and money market accounts, to be reported in Items 25(A) and 25(B), respectively. The certificate of deposit balances should be obtained from your organization's books as reconciled with the balances shown on bank statements.

4. Item 41 – Interest and Dividends

Local 7876 did not report \$23.64 in interest that was earned on its certificate of deposit during the year on the LM-3. The LM-3 instructions requires interest and dividends received by your organization from savings accounts, bonds, mortgages, loans, investments, and all other sources to be reported in Item 41.

Local 7876 must file an amended Form LM-3 for the fiscal year ended December 31, 2017, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). The amended Form LM-3 must be filed no later than March 19, 2019. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Issue

Meeting Minutes

During the audit, you advised OLMS that the membership authorized disbursements at the monthly membership meetings. However, the available minutes rarely contained any reference to disbursement authorizations. Also, Local 7876 maintained no minutes of the membership meetings that took place during the period August to December 2017. OLMS recommends that Local 7876 adopts a written policy regarding its disbursement authorization process and to retain all membership meeting minutes since any disbursements authorizations in such records may clarify, verify, and support information required to be reported on the LM-3 report.

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I want to extend my personal appreciation to Steelworkers Local 7876 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. Gerald Collier, President