



Sent via email to umy761@yahoo.com and lhanson@appvion.com

May 27, 2020

Mr. Daniel Umnus, President
Steelworkers, AFL-CIO Local 469
[REDACTED]

Case Number: 320-6017034 [REDACTED]
LM Number: 068922

Dear Mr. Umnus:

This office has recently completed an audit of Steelworkers Local 469 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 Financial Secretary/Treasurer Lee Hanson on May 21, 2020, 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 469's 2018 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and General Reimbursed Expenses

Local 469 did not retain adequate documentation for disbursements to vendors and payments to Ms. Hanson totaling at least \$7,732 in 2018. For example, adequate supporting documentation was not retained for a \$290.66 disbursement that union made to Deluxe Corporation on May 31, 2018 for checks and business cards. In support of this disbursement, Local 469 only retained a bank statement showing the payment to Deluxe Corporation, which is not sufficient. As another example, adequate supporting documentation was not retained

for a \$610.01 reimbursement to Ms. Hanson for airfare she purchased for [REDACTED] to attend the Women of Steel Conference in Detroit, MI. In support of this payment, Local 469 only retained a voucher, 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. Disposition of Property

The audit revealed that Local 469 did not maintain an inventory of tee-shirts it gave away during the audit period. While Local 469 retained records that identified the persons who received the tee-shirts and the dates the tee-shirts were given away, it did not maintain records that identified the tee-shirts (and their value) that were on hand at the beginning and end of the year.

The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. The union must record in at least one record the date and amount received from each sale of union hats, jackets, and other items.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

3. Raffles and Christmas Parties

The audit revealed that Local 469 conducted 50/50 raffles during several of its membership meetings. Half of the \$1,078 collected was distributed to raffle winners and the other half was donated to the United Steelworkers PAC fund. Additionally, Local 469 sold meal tickets for two Christmas parties/fundraisers it held during the audit year (one was held in February and the other was held in December) and conducted several fundraising raffles at the December party, including a 50/50 raffle, a \$500 Visa gift card raffle, and several other gift card raffles. Local 469 retained the estimated \$1,500 collected from the sale of meal tickets for the two parties; however, Ms. Hanson stated that these funds were "thrown into a filing cabinet" after the parties and forgotten about until she found and deposited them in January 2020. All of the money collected from the sale of 50/50 raffle tickets went to three winners, with one of the raffle winners donating half of their winnings to the Salvation Army. Of the \$1,500 collected from the sale of the Visa gift card raffle tickets, \$500 was immediately reimbursed to you for purchasing the gift card and the remaining \$1,000 was donated to Toys for Tots. The audit found that Local 469 did not maintain adequate records to document the funds it collected and the funds that were awarded to members or donated to charity.

For the sale of raffle and party tickets, records must be maintained, at a minimum, that explain the number of tickets sold, the price of each ticket, the amount of money collected, and the

names of the winners/beneficiaries. Records must also be kept that identify the name of each person who sells tickets and the date and amount of money that each person turns into Local 469. Such records must show that the persons who sell tickets fully account for all of the tickets provided to them by returning any unsold tickets along with the money raised from sold tickets. All unsold tickets, and ticket stubs (if any), must be retained.

Based on your assurance that Local 469 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 469 for the fiscal year ended December 31, 2018, was deficient in the following areas:

1. 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. Local 469 amended its constitution and bylaws in 2014, but did not file a copy with its LM report for that year. Local 469 has now filed a copy of its 2014 constitution and bylaws.

2. Raffle and Christmas Party Receipts and Disbursements

Local 469 failed to report the amount of the raffle and Christmas party ticket receipts it collected and the funds that were awarded/donated during the year. Local 469 did not report at least \$4,078 in raffle and meal ticket receipts it collected and did not report at least \$2,078 it awarded/donated to members or other entities. Local 469 is required to report all money collected from raffles and party ticket sales in Item 43 (Other Receipts), and all money awarded/donated to members or other entities is required to be reported in Item 52 (Contributions, Gifts, and Grants). OLMS recommends that for future raffles/parties, Local 469 deposit the total amount of the raffle/party ticket proceeds and write checks to the raffle winners/beneficiaries.

3. 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 Local 469 gave away gift cards, tee-shirts, and turkeys totaling at least \$6,490 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.

4. Disbursements to Officers

Local 469 did not include some reimbursements to you totaling at least \$405 in the amounts reported in Item 24 (All Officers and Disbursements to Officers), Column E (Allowances and Other Disbursements). The audit revealed that you received reimbursed expenses totaling \$1,391, including a \$500 cash payment for a VISA gift card that you purchased for a union fundraising raffle; however, the total amount reported in Column E of Item 24 for you was \$986. It appears that this discrepancy was primarily due to the union failing to record the \$500 cash payment that you received in its disbursement records.

The union must report most direct disbursements to Local 469 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).

I am not requiring that Local 469 file an amended LM report for 2018 to correct the deficient items, but Local 469 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

The audit disclosed the following other issues:

1. Lost Wage Policy

Local 469 reimburses officers for wages lost at Appvion Inc. on occasions they are absent from work to conduct union business. However, the union does not have written policies that document its lost wage reimbursement policies.

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish best practices for administering lost time payments. OLMS recommends that unions: (1) adopt clear policies and procedures for making lost time or similar payments, and (2) use vouchers that require detailed information to support lost time payments. These practices will allow the union to properly report lost time payments on the Labor Organization Annual Report, Form LM-3.

OLMS recommends that union policies and procedures for lost wages be reduced to writing and added to your union's bylaws or discussed at an executive board or membership meeting where they can be supported by entries in the meeting minutes. Once established, it is important that your union consistently follow its procedures for handling payments for lost time. You may want to have your union's trustees or auditors compare the steps taken to pay lost time with the union's policies to make sure that all required procedures are being followed. Following the exit interview, I provided you with the compliance tip sheet, *Union Lost Time Payments*, for your reference.

2. General Reimbursed Expenses

The audit revealed that on March 1, 2018, Local 469 overpaid Ms. Hanson for airfare she purchased for Local 469 members to attend the Steelworkers Convention in Pittsburgh, PA. A review of Local 469's disbursements records revealed that Ms. Hanson was reimbursed \$1,658.80 for plane tickets that she purchased; however, according to the receipts from Delta, the total cost of the tickets was \$1,048.79, not \$1,658.80. After being notified of this overpayment, Ms. Hanson repaid Local 469 \$610.01 on December 5, 2019. Ms. Hanson advised OLMS that many people were traveling during that time, and she accidentally reimbursed herself for an additional flight. OLMS recommends a careful review of expense vouchers and receipts as this can help ensure adequate internal controls and safeguard union assets.

I want to extend my personal appreciation to Steelworkers Local 469 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: Ms. Lee Hanson, Financial Secretary/Treasurer