



June 23, 2020

Mr. Richard Zimmerman, President
Steelworkers Local 7234
[REDACTED]

Case Number: 310-6013071 [REDACTED]
LM Number: 065192

Dear Mr. Zimmerman:

This office has recently completed an audit of Steelworkers Local 7234 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 on June 11, 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 7234's 2017 records revealed the following recordkeeping violations:

1. Receipts Without Documentation

Local 7234 did not retain adequate backup documentation for dues receipts that were forwarded to your local by the International Union totaling over \$75,000. The audit

indicated that remittance reports and checkoff lists are received from the International Union, but these records were not always retained. Additionally, Local 7234 did not maintain backup documentation to explain the purpose of \$33,155 in refunds and reimbursements that were received from the International Union and District 7.

As noted above, labor organizations must keep at least one record showing the date, amount, purpose, and source of its receipts. 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. Disbursement Dates of Checks and Receipt Dates not Properly Recorded

Entries of check dates posted in Local 7234's disbursement records do not reflect the dates recorded on the checks. Additionally, dates of receipts for the union's PTI account were not posted in Local 7234's receipts records. 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. The dates of disbursements and receipts are required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. Failure to record the date money was received or disbursed could result in the union reporting some receipts or disbursements for a different year than when it actually received or disbursed them.

3. General and Reimbursed Expenses

Local 7234 did not maintain records to verify that the monthly cell phone reimbursements to you and other officers and employees totaling approximately \$8,300 in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 was authorized and therefore was correctly reported. The audit indicated that you are reimbursed for 100% of your personal monthly cell phone bill while other union officers and employees are reimbursed 65%. The union must keep a record, such as meeting minutes, to show the monthly reimbursement percentages authorized by the entity or individual in the union with the authority to establish the reimbursement rate. In addition, Local 7234 did not always maintain complete, itemized cell phone invoices. Simply maintaining the payment stub that only shows the total invoice amount does not sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 7234 officers and employees did not retain supporting documentation for hotel and transportation reimbursements totaling at least \$6,600.00. For example, a disbursement to you for \$3,978.01 for eight round-trip tickets to a convention on Southwest Airlines did not have any supporting documentation such as an invoice or receipt.

Local 7234 officers and employees did not record the per diem rate and the number of days that per diem was received on several expense vouchers for per diem reimbursement totaling at least \$1,700.

Local 7234 did not retain adequate documentation for general union expenses incurred by the local totaling at least \$1,479.66. For example, invoices or other disbursement supporting documentation were not maintained for a check disbursement to Aquarian Promotions for \$529.66 and [REDACTED] for \$300.00.

Local 7234 officers and employees did not provide supporting documentation and itemized expense vouchers for travel related reimbursements totaling at least \$1,300.00. For example, a disbursement to you for \$377.92 listed only "total expenses" on the voucher without an itemized list of expenses. In addition, no receipts or invoices were maintained for these disbursements.

As noted above, labor organizations must retain original receipts and bills for all disbursements and a sufficiently descriptive voucher. 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.

4. Meal Expenses

Local 7234 records of meal expenses totaling at least \$1,000.00 did not always include a written union purpose or the names and titles of the persons incurring the restaurant charges. For example, a meal expense at Subway Restaurant for \$72.76 that was paid by check # [REDACTED] to Julio Batres and a meal expense for \$29.92 (restaurant name unknown) that was paid by check # [REDACTED] to you did not have adequate supporting documentation. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. In addition, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

5. Retention of Bank Records

Local 7234 failed to maintain bank account statements for August 2017 for its general checking account and from September 2017 through December 2017 for its PTI checking account. As noted above, a labor organization must retain bank records for all accounts.

6. Lack of Salary Authorization

Local 7234 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 were the authorized amounts and therefore were 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.

Based on your assurance that Local 7234 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-2) filed by Local 7234 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Start and End of Reporting Period Assets

Items 22a and 22b (Start and End of Reporting Period Cash) were reported as \$315,497 and \$383,025, respectively. However, both were underreported by approximately \$20,000. In addition, Item 27a (Start of Reporting Period Fixed Assets) of the 2017 LM-2 was reported as \$0 but appeared to be underreported by \$6,256 since Item 29b (End of Reporting Period Fixed Assets) of the 2016 LM-3 and Item 27b (End of Reporting Period Fixed Assets) of the 2017 LM-2 were reported as \$6,256.

2. 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 7234 amended its Bylaws in 2000, but did not file a copy with its LM report for that year. The local has only been able to provide this office with a two-page amendment to the Bylaws but not the full copy of the Bylaws that were amended. Local 7234 has told this office that the International Union is expected to approve new Bylaws soon. The local has agreed to file a copy of its new Bylaws with this office as soon as it receives approval.

3. Acquire/Dispose of Property

Item 15 (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 plaques, pins, and pens 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. Schedule 12 - Employees Who Receive More Than \$10,000 in Disbursements

Local 7234 did not list the names of some employees who received more than \$10,000 and the total amounts of payments to them or on their behalf in Schedule 12 (Disbursements to

Employees). The audit revealed that [REDACTED] and [REDACTED] received disbursements from the local in excess of \$10,000. Unions must list in Schedule 12 all employees who during the reporting period received more than \$10,000 in gross salaries, allowances, and other direct and indirect disbursements from the labor organization.

I am not requiring that Local 7234 file an amended LM report for 2017 to correct the deficient items, but Local 7234 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 7234 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,

[REDACTED]

Investigator

cc: Mr. Julio Batres, Financial Secretary
Ms. Dolores Keith, Treasurer