



Sent by email to: [REDACTED], [REDACTED], and [REDACTED]

August 12, 2020

Mr. Mark Six, President
Steelworkers, AFL-CIO
Local 7237
1109 College Avenue
Adrian, MI 49221

Case Number: 320-6018235 [REDACTED]
LM Number: 065097

Dear Mr. Six:

This office has recently completed an audit of Steelworkers, AFL-CIO Local 7237 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 Amy Ross, Treasurer Matt Dillon, and former Financial Secretary Leslie Mullin on July 29, 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 7237's 2019 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and General Reimbursed Expenses

Local 7237 did not retain adequate documentation for disbursements to vendors and payments to Ms. Ross, Recording Secretary Maria Marks, and Vice President Shannon Atkinson totaling at least \$2,656. For example, adequate supporting documentation was not retained for a \$2,428.20 disbursement the union made to Westin Hotels and Resorts in Pittsburgh, Pennsylvania for lodging expenses members incurred to attend the 2018 United Steelworkers Health and Safety Conference. In support of this expense, Local 7237 only retained an expense voucher, which is not sufficient. As another example, itemized receipts were not retained for five reimbursements totaling \$104.26 paid to Ms. Atkinson for meal expenses she incurred while traveling for union business. In support of these expenses, Local 7237 only retained expense vouchers and credit card signature receipts, which are not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. 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. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses. 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

You, Ms. Marks, and Ms. Mullin received reimbursement for the business use of your personal vehicles but did not retain adequate documentation to support payments to yourself and them totaling at least \$255 during audit period. Mileage reimbursements for you, Ms. Marks, and Ms. Mullin were claimed on expense vouchers that identified the dates of travel, locations traveled to and from, number of miles driven, and mileage reimbursement rate; however, many of the vouchers were not sufficient because they failed to adequately identify the union business conducted. 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 7237 did not retain adequate documentation for lost wage reimbursement payments to you, Mr. Dillon, Ms. Ross, Ms. Mullin, Ms. Atkinson, and Ms. Marks totaling at least \$8,991 during the audit year. 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 the union retained vouchers for lost wage reimbursements, but in many instances the vouchers were not sufficient because you, Mr. Dillon, Ms. Ross, Ms. Mullin, Ms. Atkinson, and Ms. Marks did not always adequately describe the union business conducted.

Following the exit interview, I emailed you a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 7237 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.

Based on your assurance that Local 7237 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 7237 for the fiscal year ended December 31, 2019, was deficient in the following areas:

1. 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 gift cards totaling at least \$884 to new retirees during the audit 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.

2. Disbursements to Officers

Local 7237 over reported disbursements to you by at least \$149 in the amounts reported in Item 24 (All Officers and Disbursements to Officers), Column D (Gross Salary). Local 7237's disbursements records indicate that you received gross salary (including lost time) of \$9,006; however, the total amount reported in Column D of Item 24 for you was \$9,155. It is not clear why Local 7237 over reported your gross salary (including lost time).

Additionally, Local 7237 over reported reimbursements it made to Ms. Marks and did not include some reimbursements it made to you and Ms. Atkinson in the amounts reported in Item 24, Column E (Allowances and Other Disbursements). Local 7237's disbursements records indicate that Ms. Marks received reimbursed expenses totaling \$318; however, the total amount reported in Column E of Item 24 for Ms. Marks was \$581. Local 7237's disbursements records indicate that you and Ms. Atkinson received reimbursed expenses

totaling \$2,959; however, the total amount reported in Column E of Item 24 for you and Ms. Atkinson was \$2,310. Local 7237 appears to have erroneously reported some of its reimbursements to you and Ms. Atkinson in Item 48 (Office and Administrative Expense) or Item 54 (Other Disbursements). It is not clear why Local 7237 over reported the reimbursed expenses it paid Ms. Marks.

Local 7237 must report in Column D of Item 24 gross salaries (before tax withholdings and other payroll deductions) of union officers, including disbursements for lost wages. Local 7237 must report in Column E of Item 24 direct disbursements to officers for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column E of Item 24 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. 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.

I am not requiring that Local 7237 file an amended LM report for 2019 to correct the deficient items, but Local 7237 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Lost Wage Policy and Overpayments

During the audit year, Local 7237 made lost wage reimbursement to its officers totaling at least \$23,655; however, the union does not have written policies that document its lost wage reimbursement policies.

That audit revealed that Local 7237 reimbursed eight officers a total of \$10,364.52 to attend the monthly membership meetings. Local 7237 holds two meetings on the fourth Tuesday of each month; their start times alternate between three and eight hours apart every other month. Even though membership meetings typically only last between one and two hours, Local 7237 officers generally claimed eight hours of lost time on days the meetings were held eight hours apart. During the exit interview, you stated that officers typically remain on-site at the Disabled Veterans Association hall between meetings to conduct union business such as discussing grievances, union finances, and other union business.

Additionally, Ms. Mullin was reimbursed \$96.63 for “lost incentive pay (2018)” in April 2019. During the exit interview, Ms. Mullin wasn’t able to adequately explain how the incentive pay was lost or why she claimed reimbursement for it.

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 of this type 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.

Furthermore, a comparison of the lost wage claims submitted by Ms. Atkinson with payroll records received from Wacker Chemical Corporation revealed that Ms. Atkinson appears to have been paid lost wages totaling \$445.90 that she wasn't entitled to. During the exit interview, you and the other Local 7237 officers present indicated that the overpayments were most likely due to honest errors on the part of Ms. Atkinson. You further advised that the union will review the questionable lost wage payments with Ms. Atkinson and then decide how to proceed for any overpayments received by Ms. Atkinson. OLMS recommends a careful review of union lost wage claims as this can help ensure adequate internal controls and safeguard union assets.

I want to extend my personal appreciation to Steelworkers Local 7237 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. Amy Ross, Financial Secretary
Mr. Matt Dillon, Treasurer