



September 21, 2020

Mr. Clay Charles, President  
Steelworkers Local 2116  
1501 State Route 522  
APT A  
Wheelersburg, OH 45694

Case Number: 350-6017362  
LM Number: 028276

Dear Mr. Charles:

This office has recently completed an audit of Steelworkers Local 2116 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 David Melvin, and Treasurer Aaron Kouns on September 4, 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 2116's 2018 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 2116 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by President Clay Charles totaling at least \$928.41. For example, the

local did not obtain original receipts for reimbursements totaling \$447.25 for purchases of supplies and refreshments at Lowes, Kroger, and Walmart. Rather, the local retained copies of the receipts. The local did not retain any receipts for a reimbursement on February 14, 2018 for the purchase of supplies in the amount of \$225.00. Lastly, the local maintained a reservation confirmation for a reimbursement of a hotel stay for a reimbursement on October 2, 2018, rather than the hotel invoice.

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. Meal Expenses

Local 2116 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$321.24. The union must maintain itemized receipts provided by restaurants to officers and employees. 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.

Local 2116 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, reimbursements to President Clay Charles on November 1, 2018 and December 1, 2018, totaling \$170.51 did not contain any details regarding the union business conducted and the titles of persons attending the meal. 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. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

## 3. Lost Wages

Local 2116 did not retain adequate documentation for lost wage reimbursement payments to the union officers totaling at least \$8,535.70. 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 2116 recorded each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, but failed to include a description of the union business conducted.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 2116 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.

## 4. Disposition of Property

Local 2116 did not maintain an inventory of hats and gift cards it purchased and gave away to members. 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. Subsequent to the exit interview, Steelworkers District 1 Staff Representative Randy Basham provided this office with the distribution list of the Kroger gift cards. Although the distribution list identifies the members who received the cards, the list does not identify the date the gift cards were given away to the members.

#### 5. Lack of Salary Authorization

Local 2116 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.

Based on your assurance that Local 2016 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 2116 for the fiscal year ended December 31, 2018, was deficient in the following areas:

#### 1. Disbursements to Officers (LM-3)

Local 2116 did not include some reimbursements to President Clay Charles totaling at least \$446.00 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 2116 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. Acquisition/Disposition of Property

During 2018, Local 2116 purchased hats and Kroger gift cards totaling \$2,056.88 and \$2,400.00, respectively, which were provided to members. However, Item 13 was not answered affirmatively and the value of the hats and gift cards and the recipients of the items were not included Item 56 Additional Information.

## 3. Rates of Dues and Fees

Review of the LM-3 revealed Local 2116 reported an initiation fee of \$10.00. However, you confirmed the local does not have an initiation fee.

I am not requiring that Local 2116 file an amended LM report for 2018 to correct the deficient items, but Local 2116 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issues

#### 1. Signing Blank Checks

During the audit, you advised that you signed six blank checks which were used by Steelworkers District 1 Staff Representative [REDACTED] for contract negotiations and for the purchase of Kroger gift cards. I also discussed with you that the audit identified five checks that contained only one or two signatures. Your union's bylaws require that all checks be signed by the president, financial secretary, and treasurer. The three signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the three signature requirement. OLMS recommends that Local 2116 review these procedures to improve internal control of union funds.

#### 2. Failure to Deposit a Receipt

The audit revealed that Local 2116 did not deposit a check in the amount of \$100.00 from the South Point Community Center, dated July 1, 2018. The check is payable to [REDACTED] c/o Local Union 2116. During the exit interview, I advised you to contact South Point Community Center Treasurer [REDACTED] to obtain a new check for deposit.

#### 3. Segregation of Duties

The audit revealed one officer receives the mail, prepares deposit slips, endorses checks, makes deposits, and records deposits in the local's financial records. I discussed the financial integrity protections provided by segregating the duties with regard to the receipt and subsequent deposit of funds.

#### 4. Meeting Minutes

A review of Local 2116's meeting minutes revealed the minutes do not reflect the membership's vote with regard to motions made and seconded. Rather, motions are deemed

to have passed upon being seconded. Further, Article V, Section 5(c) and (d) of the Local 2116's bylaws provides in pertinent part:

- (c) All money paid out by the Local Union from its treasury must be approved by the members at a Local Union meeting....
- (d) Recurring standard bills (fixed salaries which have been previously authorized, taxes – local, state, and federal – rent, light, heat, etc.) may be paid by the Treasurer on a single authorization to pay such bills when due.

However, the meeting minutes include only a generalized motion to pay bills and lost time. Although the bills are available for inspection at the meeting, the disbursements are not presented to the membership present at the meeting. I discussed with you the requirements proscribed in local's bylaws.

#### 5. Voided Checks

During the audit, I identified check numbers [REDACTED] and [REDACTED] which were voided, but were not retained in the union records. I discussed with you the financial safeguards provided by the retention of all voided checks in the union records.

I want to extend my personal appreciation to Steelworkers Local 2116 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. David Melvin, Financial Secretary