



November 25, 2020

Mr. Zach Hicks, President
Steelworkers Local 7054
12630 Paul Coffey Boulevard
Ashland, KY 41102

Case Number: 350-6020052 [REDACTED]
LM Number: 064-126

SENT VIA ELECTRONIC MAIL TO [REDACTED] ONLY

Dear Mr. Hicks:

This office has recently completed an audit of Steelworkers AFL-CIO LU 7054 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, Treasurer Randall Riffe, and Financial Secretary Blake Hicks on November 6, 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 7054's 2019 records revealed the following recordkeeping violations:

1. General Expenses

Local 7054 did not retain adequate documentation for all expenses. For example, on July 25, 2019, the union made a disbursement of \$400 at Sandy's Flowers and there was no corresponding receipt.

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

Local 7054 did not maintain an inventory of property. The union must report the value of any union property on hand at the beginning and end of each year in Statement A of the LM-3. Therefore, Local 7054 must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Statement A. In addition, the union must maintain a record of property purchased, sold, donated or otherwise disposed of and also report that information on the LM-3 in the appropriate items. 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. Lack of Salary Authorization

Local 7054 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 7054 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 7054 for the fiscal year ended December 31, 2019, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 [LM-3] (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 purchased throws and bibles from Sandy's Flowers totaling more

than \$800 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.

2. Disbursements to Officers

Local 7054 did not include a reimbursement to officer Zach Hicks totaling \$367.50 in the amounts reported under Item 24 (All Officers and Disbursements to Officers).

The union must report most direct disbursements to Local 7054 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).

3. 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 7054 amended its constitution and bylaws in 2004, but did not file a copy with its LM report for that year.

Local 7054 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 7054 file an amended LM report for 2019 to correct the deficient items, but Local 7054 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you, Treasurer Randall Riffe, and Financial Secretary Blake Hicks, the audit revealed that Local 7054 does not have a clear policy regarding expenses. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Steelworkers Local 7054 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. Blake Hicks, Financial Secretary
Mr. Randall Riffe, Treasurer