

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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January 3, 2008

Mr. Tom Stecion, Financial Secretary
Steelworkers Local 1170
4508 Minor Rd
Copley, Ohio 44321

LM File Number: 012-340

Case Number: [REDACTED]

Dear Mr. Stecion:

This office has recently completed an audit of 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 President Reginald Frederick on December 19, 2007, 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 1170's records for the fiscal year ending December 31, 2006 revealed the following recordkeeping violations:

1. Reimbursed Expenses

Local 1170 failed to maintain vouchers or any type of supporting documentation for checks [REDACTED] through [REDACTED], with the exception of checks [REDACTED] and [REDACTED]. Many of the checks written in 2006 that did have vouchers did not have the proper receipts attached for verification of the expense. For example, check [REDACTED] did not have receipts attached for the audit meal, office supplies and postage. In addition, checks [REDACTED] & [REDACTED] did not have receipts attached for the hotel expense reimbursements.

As previously 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. Lost Wages

Local 1170 did not retain adequate documentation for lost wage reimbursement payments to several of the union officers. The OLMS audit found that Local 1170 did maintain some of the lost wage vouchers; however, the officers did not identify on the lost wage vouchers the union business conducted. 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.

3. Failure to Record & Maintain Receipts

Local 1170 did not record in its cashbook several of the direct deposits received from the International for a total of \$7,553.18. Additionally, the union failed to maintain 27 out of 41 dues deposit detail from the International. The union also failed to maintain any

deposit records for a January 2006 deposit for \$140.02. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

Based on your assurance that Local 1170 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 1170 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Audits

Item 14, audit or review of books, was erroneously marked "yes." Audits performed by the union's trustees or an audit committee are not considered the same as an outside accountant. Therefore, Item 14 should have been marked "no."

2. Disbursements to Officers

Local 1170 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

Gross salaries in Item 24 Column (D) were underreported for many of the officers because some of them held additional positions within the union. Gross salaries must be reported for all positions an individual holds in the union. In addition, any disbursement received for "lost time" must be included in gross salaries. All salaries are required to be reported before any taxes are deducted. The union must report most direct disbursements to Local 1170 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. Purchase of Assets

Local 1170 failed to report correctly the purchase of a computer during the audit year 2006. Purchases of assets must be recorded in Item 29 – Fixed Assets on Statement A and in Item 52 – Purchase of Fixed Assets on Statement B. In addition, a small description of what was purchased can be entered in Item 56 – Additional Information.

4. Total Disbursements

The audit of Local 1170's records for the fiscal year ending December 31, 2006 revealed that total disbursements were underreported by \$18,980 in Statement A of the LM-3 report.

Local 1170 must file an amended Form LM-3 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. At the exit interview, [REDACTED] provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov).

Other Issues

The audit disclosed that several of the disbursement vouchers did not have proper signatures of both the president and the person receiving the check. OLMS recommends in the future that both parties sign all vouchers before a check is disbursed. Achieving this is an effective internal control of union funds.

I want to extend my personal appreciation to you 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,

Fred Vaudrin
District Director

cc: Reginald Frederick, President