

U.S. Department of Labor

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July 25, 2008

Mr. Daniel McCombs, President
Steelworkers AFL-CIO Local 42
1702 Ruby Lane
Eau Claire, WI 54703-1871

LM File Number: 041-729
Case Number: [REDACTED]

Dear Mr. McCombs:

This office has recently completed an audit of Steelworkers Local 42 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 Treasurer Gordon Dressel, Recording/Financial Secretary Shari Champion, and you on June 23, 2008, 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 42's 2007 records revealed the following recordkeeping violations:

1. Officer Expenses and Other Disbursements

Local 42 did not retain adequate documentation for expenses incurred by union officers totaling at least \$2,629.36. For example, during the audit Treasurer Gordon Dressel advised that Local 42 purchases gift cards for members who retire, get sick, or get married. Local 42 frequently purchases the gift cards from the Eau Claire Chamber of Commerce. However, no receipt was retained for any of the gift card purchases during the audit year. Local 42 spent approximately \$1,990 on gift cards during 2007. Other disbursements for which there was no supporting documentation included meal expenses and some reimbursed officer expenses.

Local 42 did not always retain itemized receipts for meal expenses. Itemized receipts provided by restaurants to officers must be maintained. 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.

In addition, Local 42 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, a meal at Mike's Smokehouse on March 8, 2007, appears to be for eight individuals but no names are listed in union records and no purpose is recorded. 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.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Lost Wages

Local 42 did not retain adequate documentation for lost wage reimbursement payments to officers and members totaling at least \$636.54. In addition to this amount, the union frequently failed to record the date that wages were lost or the purpose of the lost wages on vouchers or other union records for the majority of the more than \$7,000 in lost wages paid during 2007. 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.

During the exit interview, I provided a sample of an expense voucher Local 42 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.

3. Disposition of Property

Local 42 did not maintain an inventory of t-shirts, and other property it purchased, sold, or gave away. The audit revealed that the union purchased at least \$1,883.18 worth of t-shirts during the year. Officers indicated that there were some t-shirts on hand at the end of the year. The value of any union property on hand at the beginning and end of each year must be reported in Item 30 (Other Assets) of the LM-3. An inventory or similar record of property on hand must be maintained to verify, clarify, and explain the information that must be reported in Item 30.

Local 42 officers informed OLMS that the t-shirts were given away to members during contract negotiations and that the local did not receive any income from the t-shirts. In the future, should the local decide to sell t-shirts or other items, the union must record the date and amount received from each sale of union t-shirts, jackets and other items in at least one union record.

4. Receipt Dates not Recorded

Entries in Local 42's general ledger reflect the date money was deposited into the Local's bank account, but not the date money was received. While the record does reflect the makeup of the deposit (dues, t-shirt money, etc.), it does not identify the date the union received the payment. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and

Disbursements) of the LM-3. The LM-3 instructions for Statement B state that receipts must be recorded when money is actually received and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received.

5. Lack of Salary Authorization

Local 42 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and were therefore correctly reported.

Article VIII of Local 42's bylaws sets the salaries for officers and stewards. However, in addition to the salary listed in the bylaws, the President, Vice President, Recording/Financial Secretary, Treasurer, and chief steward also were each reimbursed \$416.95, after taxes, at the end of 2007. Treasurer Gordon Dressel explained these payments were for for union dues paid during the year. According to you and Mr. Dressel, this practice has been in place since the 1980's and is intended to be a form of additional compensation to officers. You further stated that you believed this additional amount had been approved by the local's membership and that you would provide documentation of that approval to OLMS as soon as possible. Local 42 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries.

Based on your assurance that Local 42 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 42 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Item 13 - 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 t-shirts totaling at least \$1,883.18 during the year, in addition to nearly \$2,000 in gift cards given to members. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees." In addition, the cost, book value, and trade-in allowance for assets that were traded in must be reported.

2. Item 24 - All Officers and Disbursements to Officers

Local 42 did not include \$7,692 in payments to officers for lost wages in Column D (Gross Wages) of Item 24. It appears the majority of these payments were erroneously reported in Column E (Allowances and Other Disbursements) of Item 24.

The LM-3 instructions for Item 24, Column D require labor organizations to "include disbursements for "lost time" or time devoted to union activities."

Examples of items to be reported in Item 24, Column E include expenses that were directly reimbursed to an officer, allowances, and expenses paid for officers' meals.

Most direct disbursements to Local 42 officers and some indirect disbursements made on behalf of its officers must be reported 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. Item 35 – Other Liabilities

Local 42 reported a balance of -\$267 in Item 35 (Other Liabilities). As I explained during the exit interview, the union cannot report a negative liability balance. You advised that this amount reflected a credit for pre-paid taxes, which would be reportable in Item 30 (Other Assets).

4. 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 42 amended its constitution and bylaws in 2007, but did not file a copy with its LM report for that year.

During the audit, Local 42 provided a copy of its constitution and bylaws to OLMS.

I am not requiring that Local 42 file an amended LM report for 2007 to correct the deficient items, but Local 42 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 42 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: Treasurer Gordon Dressel