

U.S. Department of Labor

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Office of Labor-Management Standards
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August 27, 2008

Mr. Dave Gabbard, President
Florence Steelworkers Local 1
P.O. Box 608
Union, KY 41091

LM File Number: 517-159

Case Number: [REDACTED]

Dear Mr. Gabbard:

This office has recently completed an audit of Florence Steelworkers Local 1 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 Investigator [REDACTED] discussed during the exit interview with you, Vice President Mike Shipp, Treasurer Shannon Parman, Recording Secretary Jeff Overby, and Attorney Jeff Shipp on July 22, 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 1's 2007 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

Local 1 failed to record any of its receipts during the audit year. 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.

2. General Reimbursed and Debit Card Expenses

Local 1 did not retain adequate documentation for debit card expenses incurred by union officers totaling \$1,264.57. Specifically, Local 1 made a purchase at Best Buy for \$540.57 and a purchase at Cottingham True Value for \$724 for which there was no adequate documentation.

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.

3. Meal Expenses

Local 1's 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, on March 6, 2007, Local 1 made disbursements at Cracker Barrel for \$8.46 and Logan's Steakhouse for \$23.06. Local 1 failed to provide names and titles of the officers in attendance and the nature of the union business. 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.

4. Lost Wages

OLMS found 13 instances where Local 1 did not retain adequate documentation for lost wage reimbursement payments to its union officers. 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 1 retained vouchers for all lost time claims; however, vouchers failed to provide the date, the name of the officer, the hours worked, the rate of pay, and the nature of the union business being conducted

During the exit interview, Investigator [REDACTED] provided a sample of an expense voucher Local 1 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 1 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 LM-3 filed by Local 1 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Total Receipts

Local 1 did not accurately report the total receipts of the union during the audit period. Specifically, Local 1 reported a restitution repayment of \$793.04 by former President [REDACTED] in Item 38 (Dues). These funds need to be reported in Item 43 (Other Receipts) of Local 1's 2007 LM-3 report.

2. 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 1 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year. As agreed, Local 1 will forward a copy of its constitution and bylaws as soon as possible, but no later than September 31, 2008.

Local 1 must file an amended Form LM-3 for fiscal year ending December 31, 2007, to correct the deficient items discussed above. Investigator [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). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than September 30, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Debit Card and Cell Phone Policies

The audit revealed that Local 1 has set criteria for the appropriate use of the union's debit card and cell phones. However, as Investigator [REDACTED] discussed during the exit interview, these policies have not been reduced to writing. OLMS recommends that Local 1 adopt written guidelines concerning the use of the union's debit card and cell phones.

2. Inventory List

Local 1 did not maintain an inventory of its fixed assets during the 2007 audit year. An inventory should be kept to verify, support, and clarify the amounts reported in item 29 of the LM-3 report. The inventory kept by the union should record a detailed description of what was purchased, the date of the purchase, the amount of the purchase and the depreciated value. The report should be kept with the union records.

I want to extend my personal appreciation to Florence Steelworkers Local 1 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials

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provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

Lesta A. Chandler
District Director

cc: Mr. Jeff Shipp, Attorney