

**U.S. Department of Labor**

Employment Standards Administration  
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December 23, 2009

Mr. John Kling, President  
Steelworkers Local 1114  
4621 W. National Avenue  
West Milwaukee, WI 53214

LM File Number: 019-437  
Case Number: [REDACTED]

Dear Mr. Kling:

This office has recently completed an audit of Steelworkers Local 1114 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, Vice President Geno Duranco, Financial Secretary Matthew Keast, Treasurer Gary Schuster, Bookkeeper Peg Tobias, and Trustees Doug Kaho, Michael Miller and Dave Purdy on December 11, 2009, 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 1114's 2008 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

Local 1114 did not record in its receipts records a printing reimbursement check from P&H Mining in the amount of \$528. Instead, the receipt was reported as a negative disbursement.

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.

Additionally, the purpose of Statement B (Receipts and Disbursements) of the Labor Organization Report LM-3 is to report the cash flow in and out of your organization during the reporting period. Since Statement reports all cash flowing in and out of your organization, "netting" is not permitted. "Netting is offsetting of receipts against disbursements and reporting on the balance (net) as either a receipt or disbursement.

2. General Reimbursed and Credit Card Expenses

Local 1114 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers totaling at least \$2,400, including:

- a) Cell Phone Bills: During the audit year, you received approximately \$270 in payments from Local 1114 for the reimbursement of a portion of your personal cellular phone bill. The only documentation that was maintained for these expenses was a copy of the monthly summary page of each cell phone bill.

If Local 1114 pays for any business calls made from an individual's personal cell phone, or pays the entire cell phone bill, either as a direct payment to the

- cellular phone company or as a reimbursement to the individual, Local 1114 must retain the original phone bill in its entirety.
- b) Airfare: Local 1114 disbursed over \$2,000 to Card Member Services (credit card) for the purchase of airfare for several officers during the audit year but retained only the credit card statement in support of these expenses.
  - c) Food for Membership Meetings: During the opening interview, you advised that Local 1114 provides food and refreshments for its members at various meetings (membership, grievance, steward, etc). You also advised that one of the officers is responsible for purchasing the food for each meeting. The audit revealed that the supporting documentation retained in support of over \$200 of food and refreshment expenses was not sufficient in that either no documentation was provided or the documentation that was available consisted of photocopies of receipts.
  - d) Other Expenses: Check # [REDACTED] to Keith Forseth included reimbursement of \$161.82 for a framing expense incurred at the Framing Gallery. The union business purpose of this expense was not identified in Local 1114's records.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements, including any electronic receipts or documentation for airline tickets that are purchased on the Internet. 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 1114 records for over \$1,200 in meal expenses failed to include the names and titles of the persons incurring the restaurant charges.

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.

4. Salary Authorization

Local 1114 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.

During the opening interview, you advised that Article X of the Local 1114 by-laws contains a provision authorizing the salary amounts paid to the local officers and employees (stewards and grievance committee members). A review of Article X and the entire Local 1114 by-laws revealed that there are no provisions that authorize any amount of salary to be paid to officers and provide only for compensation to stewards and committee members. The local failed to provide any additional documentation, such as meeting minutes, that identifies authorization for salary payments to officers.

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.

5. Asset Records

Local 1114 reported \$86,155 in fixed assets (Items 29(A) and 29(B) of the LM-3 report) at both the beginning and end of the audit year but failed to retain any records to verify the accuracy of those figures.

The LMRDA requires that records be maintained on such matters that must be reported on the LM report, such as fixed and other assets.

Based on your assurance that Local 1114 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 1114 for fiscal year ending December 31, 2008, was deficient in the following areas:

1. Disbursement to Officers

Local 1114 did not include reimbursements to officers totaling at least \$8,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). Ms. Tobias advised that she reported these payments in Item 48 (Office and Administrative) or Item 54 (Other Disbursements).

The union must report most direct disbursements to 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. Indirect Disbursements for Airfare

During the audit year, over \$4,000 was disbursed to Card Member Services (credit card) by Local 1114 for the purpose of airfare for several officers and members of the local to attend various conferences and conventions during the audit year. These disbursements appear to have been reported in Item 54 (Other Disbursements).

As noted above, indirect disbursements 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 Fixed Assets

The audit revealed that Local 1114 issued checks totaling \$3,197.92 for the purchase of a printer, sheet finisher, and paper shredder. Ms. Tobias stated that these disbursements were reported in Item 48 (Office and Administrative) and Item 54 (Other Disbursements).

The purchased items are considered fixed assets. Fixed assets are items that have a physical substance, a useful life in excess of one year, and are purchased for the use of operation and not intended for resale, such as furniture, computers, and office equipment. Money disbursed by a union for the purchase of a fixed asset must be reported in Item 52 (Purchase of Investments and Fixed Assets).

Fixed assets totaling \$86,155 were reported in Item 29(A) (Fixed assets at the start of the reporting period) and Item 29 (B) (Fixed assets at the end of the reporting period). The purchase, sale, or disposal of fixed assets must be reflected in the amounts reported in Item 29.

#### 4. Total Receipts

Local 1114 failed to include a \$528 receipt from P&H Mining in the amount reported in Item 44 (Total Receipts). As mentioned above, this receipt was recorded as a negative disbursement under the office and administrative category in the local's records and therefore does not appear anywhere on the LM report as a receipt. Consequently, the figure reported in Item 48 (Office and Administrative) is underreported by \$528.

#### 5. 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 1114 amended its constitution and bylaws in 1999, but did not file a copy with its LM report for that year.

Local 1114 has now filed a copy of its constitution and bylaws.

Local 1114 must file an amended Form LM-3 for fiscal year ending December 31, 2008, to correct the deficient items discussed above. I 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](http://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 January 13, 2009. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Use of Signature Stamp

During the audit, you advised that Local 1114 occasionally stamps the signature of one of its officers on union checks when that officer is out of town or otherwise available. Article VI, Section 6 of the local by-laws require that the treasurer sign all checks and have them countersigned by the president and financial secretary. This requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use of a signature stamp does not attest to the authenticity of the completed check, and negates the purpose of a multiple signature requirement. OLMS recommends that Local 1114 review these procedures to improve internal control of union funds.

2. Wage/Compensation Policy

The audit revealed that USW Local 1114 paid wages to several members of the grievance committee for time spent with the employer in grievance meetings. The company also compensated the committee members for this time. You advised that this has been a long standing practice of the local; however the records maintained by Local 1114 do not reflect that these payments were ever authorized. You also advised that Local 1114 has a long standing practice of paying wages to officers or members for what the local refers to as "white paper time." This refers to a specific situation in which an officer or member is required to attend to union business after he/she completes an entire shift at the company. The officer or employee is allowed to "bank" that time and take an unpaid day from the company at a later time and receive compensation for that day from the union. Local 1114 does not have a written policy in place that governs this practice, nor do the records reflect that these payments have ever been authorized.

OLMS recommends that your union adopt written guidelines for the payment of wages in these circumstances as such policies can help ensure effective control over union finances.

Mr. John Kling  
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I want to extend my personal appreciation to Steelworkers Local 1114 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: Matthew Keast, Financial Secretary  
Geno Duranco, Vice President  
Keith Forseth, Recording Secretary  
Michael Miller, Trustee  
Douglas Kaho, Trustee