

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Kansas City Resident Investigative Office
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March 6, 2009

Mr. Victor Hernandez, Financial Secretary
Steelworkers AFL-CIO
Local 12561
3804 Ruby Avenue
Kansas City, KS 66106-2624

LM File Number 008-478

Case Number:

Dear Mr. Hernandez:

This office has recently completed an audit of Steelworkers Local 12561 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 on February 13, 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.

The CAP disclosed the following violations:

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

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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 12561's 2008 records revealed the following recordkeeping violations:

1. Bank Records

Local 12561 did not retain adequate documentation for its savings account for the periods of January 1, 2008 through March 31, 2008 and October 1, 2008 through December 31, 2008. All original bank statements of the local must be maintained for at least five years. 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. As we discussed in the exit interview, the local has agreed to maintain these records in the future.

2. General Reimbursed Expenses

Local 12561 did not retain adequate documentation for reimbursed expenses incurred by Vice President Les Netherland for his cell phone. Only one page of the cell phone bill was turned in and at times this was a copy.

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. I discussed this issue with Mr. Netherland and he has agreed to turn in the entire original bill to the local in the future.

3. Lost Wages

Local 12561 did not retain adequate documentation for lost wage reimbursement payments. 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

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audit, the local indicated you verify the time that will be lost with the employer by email, but in the past you have deleted these emails. As we discussed, these emails need to be saved (on computer or printed out hard copies) in the future.

4. Disposition of Property

Local 12561 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items. The union must also keep a similar record for all items given away.

5. Lack of Salary Authorization

Local 12561 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.

6. Receipt Dates not Accurately Recorded

Entries in Local 12561's receipts journal do not reflect the accurate date interest payments were made to the local. Union receipt records must show the date funds are received. 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 the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Local 12561 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

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I want to extend my personal appreciation to Steelworkers Local 12561 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: Steve Graham, President