

**U.S. Department of Labor**

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May 29, 2009

Mr. James Happli, President  
Steelworkers Local 2-0221  
590 County Road O  
Mosinee, WI 54455

LM File Number: 046-845  
Case Number: [REDACTED]

Dear Mr. Happli:

This office has recently completed an audit of Steelworkers Local 2-0221 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 Jerrold Kusiak, Treasurer Billie Jo Sullivan, Financial Secretary Gary Klotzbuecher, and Recording Secretary Michael Gorman, Trustee Leo Pelot, and Trustee Steve Kennedy on May 28, 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 2-0221's 2008 records revealed the following recordkeeping violation:

#### Receipt Dates not Recorded

Entries in Local 2-0221's receipts journal reflect the date the union deposited money, but not the date money was received. During the opening interview, former Treasurer [REDACTED] explained that Mr. Klotzbuecher initially receives all the union's income and records the receipts in the financial secretary's ledger. Mr. Klotzbuecher's journal does not identify any dates. Mr. [REDACTED] stated that the treasurer's receipt ledger he maintained for 2008 identified only the deposit dates. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the Labor Organization Annual Report (Form 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 2-0221 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 LM-3 filed by Local 2-0221 for fiscal year ending December 31, 2007 was deficient in the following areas:

##### 1. 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 over \$15,000 in gift cards to members in good standing during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along

with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

## 2. Disbursements to Officers

Local 2-0221 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. An officer is defined in section 3(n) of the LMRDA (29 U.S.C. 402) as any constitutional officers, any person authorized to perform the functions of president, vice president, secretary, treasurer, or other executive functions of a labor organization, and any member of its executive board or similar governing body. During the opening interview, you stated that each of the three trustees sit on the executive board and therefore should be reported in Item 24. Former treasurer [REDACTED] stated that the payments to these trustees, totaling more than \$1,200, were reported in Item 46 (payments to employees).

The union must report most direct disbursements to Local 2-0221 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. Other Assets

The audit revealed that Local 2-0221 purchased at least \$450 of gift cards during 2007 to be given away at membership meetings and to the members of Local 2-0221 who had family members pass away. Former Treasurer [REDACTED] advised that Local 2-0221 had a supply of gift cards on hand at both the beginning and end of 2007 because he always purchases additional cards before the supply of cards runs out. The value of the gift cards on hand at the beginning and end of 2007 were not reported in Item 30.

I am not requiring that Local 2-0221 file an amended LM report for 2007 to correct the deficient items, but Local 2-0221 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issues

##### Disbursements Policies

You advised at the opening interview that Local 2-0221 pays wages to officers and employees for any wages lost while conducting union business and also for personal time working for the union. In addition, you also advised that the local pays overtime wages for union business that is conducted on Sundays and holidays. The audit revealed that this is an unwritten policy that the local has been operating under for many years. The audit also revealed that Local 2-0221 lacks a clear written policy regarding the types of expenses union officers and employees may claim for reimbursement. OLMS recommends that your union adopt written guidelines for the payment or reimbursement of expenses and lost wages as such policies can help ensure effective control over union finances.

I want to extend my personal appreciation to Steelworkers Local 2-0221 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,

[REDACTED]

Investigator

cc: Jerrold Kusiak, Vice President  
Billie Jo Sullivan, Treasurer  
Gary Klotzbuecher, Financial Secretary  
Steve Kennedy, Trustee