



February 25, 2011

Mr. Larry Kelly, President  
Steelworkers Local 578  
316 4th Avenue NE  
Austin, MN 55912

Case Number: [REDACTED]  
LM Number: 023471

Dear Mr. Kelly:

This office has recently completed an audit of Steelworkers Local 578 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 and Financial Secretary Christa Heiny on February 18, 2011, 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 578's 2010 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 578 records of meal expenses did not always identify the names and titles of the persons incurring or receiving the benefit of restaurant charges totaling at least \$400. n

most instances, Local 578 maintained expense vouchers and supporting documentation (including itemized receipts) identifying the date, amount, and business purpose of each expense and the names of the restaurants where the expenses were incurred. However, Local 578 failed to retain records identifying the full names and titles of all persons who incurred the restaurant charges.

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 a reminder, itemized receipts provided by restaurants to officers and employees must be retained. 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.

## 2. Reimbursed Auto Expenses

You received reimbursement for business use of your personal vehicle. However, documentation retained for at least 14 of 34 expenses totaling as much \$4,000 were not adequate because the specific dates of travel, number of miles claimed, and business purpose of some of the trips claimed on those vouchers were not properly identified. Further, you occasionally submitted vouchers for multi-day and multi-stop trips that did not identify some of the locations you traveled to.

Local 578 must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

## 3. Lack of Salary & Paid Leave Authorization

Local 578 did not maintain records to verify that the salaries reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the Labor Organization Annual Report Form LM-2 were the authorized amounts and were therefore correctly reported. The International Union's *By-Laws for Amalgamated Local Unions* filed by International Union on behalf of Local 578 with OLMS contains a section in Article VI, Section 1 where it appears policies for salaries and expenses were intended to be reported. It reads, "salaries and expenses for local unions shall be as follows," but no information identifying the salaries or expenses follows. The audit revealed that officers and employees of Local 578 receive salaries of between \$50 and \$3,400 per month and are also compensated for expenses such as per diem, mileage, and reimbursed expenses when applicable. Financial Secretary Christa Heiny advised that authorization for salaries paid to the officers and employees should appear somewhere in meeting minutes. The records show that in 2006, the executive board discussed salary levels for you and Ms. Heiny. A few approved increases were also found in the minutes of meetings after 2006, but the amounts that appear to have been authorized are not consistent with the amounts currently

being paid and reported in Schedule 11 (All Officers and Disbursements to Officers) of the Form LM-2 filed for 2009. Further, no authorization could be found for the executive board or unit presidents' salaries.

You and Ms. Heiny also advised that you both are authorized to receive six weeks of paid vacation per year. You advised it is the policy of Local 578 to allow you cash out up to 80 hours of unused vacation per year, and to allow Ms. Heiny to cash out up to 40 hours of unused vacation per year. Further, any remaining balances are carried over into the next year. You also stated that there is no limit on the amount of unused vacation that can be carried over. Officers are also entitled to the full amount owed to them if and when they retire from or leave Local 578. However, No authorization for these paid leave policies could be found in union records.

Local 578 must keep a record, such as meeting minutes, to show the current salaries and paid leave policies authorized by the entity or individual with the authority to establish salaries. During the exit interview, I provided a compliance tip sheet, *Authorization of Salary and Paid Leave for Union Officials*, which provides assistance for documenting salary and paid leave policies.

Based on your assurance that Local 578 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-2) filed by Local 578 for the fiscal year ended December 31, 2009, was deficient in the following areas:

1. Accrued Vacation and Other Liabilities

Local 578 failed to report accrued vacation earned by officers in Schedule 10 (Other Liabilities) totaling at least \$7,200 as of December 31, 2009. As noted above, the audit revealed that you and Financial Secretary Heiny each receive six weeks of vacation per year. It is the policy of Local 578 to allow officers to carry over accrued vacation into the next fiscal year. Since officers are also entitled to the full amount owed to them if and when they retire or leave Local 578, this represents a liability to the union for LM reporting purposes. However, Local 578 reported no liabilities in Schedule 10 / Item 33.

2. Dues Receipts

Local 578 did not include some dues receipts in Item 36 (Dues and Agency Fees), totaling \$14,288. Local 578's general ledger shows that Local 578 received \$220,058 in dues receipts. However, only \$205,830 is reported in Item 36 (a difference of \$14,288). It appears that Local 578 erroneously reported that portion of the union's dues in Item 37 (Per

Capita Tax). Financial Secretary Heiny stated that she believed that the portion that would be later transmitted to the International Union should be reported in Item 37. The LM-2 instructions state, Item 35 should include regular dues, working dues, etc. received by the labor organization. In addition, it should include dues received directly by the organization from members, dues received from employers through a checkoff arrangement, and dues transmitted to the organization by a parent body, or other affiliate. Report the full dues received, including any portion that will later be transmitted to an intermediate or parent body as per capita tax.

I am not requiring that Local 578 file an amended LM report for 2009 to correct the deficient items, but Local 578 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 578 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: Ms. Christa Heiny, Financial Secretary