



November 5, 2012

Mr. Dale Burazin, President
Steelworkers Local 2-224



Case Number: [REDACTED]
LM Number: 046622

Dear Mr. Burazin:

This office has recently completed an audit of Steelworkers Local 2-224 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, Treasurer Dale Wadinski, Financial Secretary Deb Carpentier, and Trustee Kurt Buehler on September 26, 2012, 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 2-224's 2011 records revealed the following recordkeeping violations:

1. Lack of Salary Authorization

Local 2-224 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and were therefore correctly reported. During the exit interview, you stated that the compensation paid to officers includes a monthly base salary (as provided for in Article IV, Section 9 of the local bylaws) plus wages paid to them at an hourly rate of between \$18.87 and \$23.68 for time spent working on union business. While the monthly base salary amounts range from \$29.80 to \$79 per officer, the additional payments to them for time worked totaled more than \$17,000 during the year. You indicated that it has been Local 224's longstanding practice to compensate officers in this manner and that the payments have been authorized by the executive board. However, Local 2-224 failed to retain any documentation that authorized the payment of the additional compensation paid at the hourly rate. You stated that the base salaries were originally intended to reimburse officers for their monthly dues, while the additional per hour compensation is intended to compensate them for work performed on behalf of the union.

Local 2-224 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries.

2. Lost Wages

Local 2-224 did not retain adequate documentation for lost wage reimbursement payments to officers and employees totaling more than \$2,500. Although lost wage claims were typically recorded on "wage and expense" vouchers, the vouchers are not adequate because they do not identify the date the lost wages were incurred. In addition, officers also used the same vouchers to make claims for salary (the additional compensation noted above) but the vouchers do not indicate which claims are for salary and which are claims for lost wages.

Records must be maintained 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. In addition, as discussed, union records must be retained that identify which claims are for lost wages and which are for salary/pay for personal time worked.

During the exit interview, I provided a sample of an expense voucher Local 2-224 may use to satisfy the recordkeeping requirement for lost wages.

3. Per Diem Payments

Expense vouchers prepared by officers and employees who traveled on union business are not adequate because many vouchers failed to identify the specific dates of travel. Claims for per diem were typically documented on vouchers that identified the business purpose, location of travel, and amount of the per diem claimed. Mr. Wadinski stated that officers and employees who travel on union business are entitled to reimbursement for lodging expenses,

mileage, and per diem for meal expenses. The audit revealed the union pays an "in town" per diem of \$10 per day when officers work in the Mosinee area and an "out of town" per diem of \$40 per day when they travel overnight outside that area.

In the case of per diem payments to officers and employees for travel on union business, Local 2-224 must maintain records which identify the business purpose of each trip, the dates of travel, the destinations travelled to and from, and the per diem rate claimed for each date of travel.

Based on your assurance that Local 2-224 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-3 filed by Local 2-224 for the fiscal year ended December 31, 2011, was deficient in the following areas:

1. Other Income Not Reported

The receipt records maintained by Local 2-224 identify income totaling \$275 for registration fees received from other locals for steward training hosted by Local 2-224, a reimbursement from Graphics Packaging, and refunds of per diem payments made to bargaining unit members; however, Local 2-224 reported \$0 in Item 43 (Other Receipts). During the exit interview, Mr. Wadinski confirmed that he erroneously included these receipts in the amounts reported in Item 38 (Dues). Receipts such as those identified above, are required to be reported in Item 43.

2. Acquire or 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 Local 2-224 gave away gift cards totaling almost \$800 to members who were out of work due to illness and also to members and their families for purposes of bereavement gifts. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

3. Disbursements to Officers

Local 2-224 did not include some reimbursements to officers totaling at least \$2,500 in the amounts reported Item 24 (All Officers and Disbursements to Officers). Expense vouchers and disbursement documentation retained by Local 2-224 show that officers received

payments for expenses totaling more than \$6,500; however, the amounts reported in Column E (Allowances and Other Disbursements) of Item 24 total only \$3,332. It appears these payments were erroneously included in the amounts reported in Item 48 (Office and Administrative) or Item 54 (Other Disbursements).

Most direct disbursements to Local 2-224 officers and some indirect disbursements made on behalf of its officers must be reported 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).

In addition, Local 2-224 erroneously reported the names of stewards and payments to them in Item 24. The LM-3 instructions for Item 24 require that only officers are to be reported in that item. In the case of Local 2-224, Article 4, Section 2 of the local bylaws identifies the constitutional officers of the local as the president, vice president, financial secretary, trustees, inner and outer guards, and the chief steward. Shop stewards are considered to be employees for LM-3 reporting purposes, and all payments to them must be reported in Item 46 (to Employees).

4. Voided Checks

The audit revealed that over \$1,000 worth of voided checks were identified in the local's QuickBooks accounting records as outstanding at the end of the audit year. The voided checks were never issued and were maintained in the union's records with the word "Void" written on them. However, Treasurer Wadinski stated that these checks were erroneously included in the amounts reported in various disbursement categories on the LM-3 Report filed for 2011.

I am not requiring that Local 2-224 file an amended LM report for 2012 to correct the deficient items, but Local 2-224 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Wage and Expense Policies

As you know, Local 2-224 does not have written policies that document its lost wage reimbursement policies. In addition, the audit revealed that the union also does not have documentation that clearly identifies the authorized per diem amount to be paid for "out of town" travel.

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish best practices for administering lost time payments and travel expenses. OLMS recommends that unions (1) adopt clear policies and procedures for making lost time or similar payments and (2) use vouchers that require detailed information to support lost time payments and travel expenses. These practices will allow the union to properly report lost time payments and travel expense on the Labor Organization Annual Report, Forms LM-2, LM-3, or LM-4.

OLMS recommends that union policies and procedures for lost wages and expenses be reduced to writing and added to your union's bylaws or discussed at an executive board or membership meeting where they can be supported by entries in the meeting minutes. Once established, it is important that your union consistently follow its procedures for handling payments for lost time and other expenses. You may want to have your union's trustees or auditors compare the steps taken to pay lost time and other expenses with the union's policies to make sure that all required procedures are being followed.

I have attached OLMS' compliance tips for union lost time payments and reimbursed travel expense payments for your reference.

I want to extend my personal appreciation to Steelworkers Local 2-224 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: Mr. Dale Wadinski, Treasurer
Mr. Kurt Buehler, Trustee