



August 26, 2016

Mr. Brad Dorff, President
Steelworkers Local 02-1343
712 Milwaukee Avenue
South Milwaukee, WI 53172

Case Number: 320-6007357 [REDACTED]
LM Number: 008934

Dear Mr. Dorff:

This office has recently completed an audit of Steelworkers Local 02-1343 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, Financial Secretary Dennis Kubricky, Treasurer Scott Streich, and Administrative Assistant [REDACTED] on August 4, 2016, 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 02-1343's 2015 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and General Reimbursed Expenses

Local 02-1343 did not retain adequate documentation for disbursements to vendors and payments to Mr. Kubricky and Mr. Streich totaling at least \$2,957 in 2015. For example,

adequate supporting documentation was not retained for a \$1,875 reimbursement to Mr. Streich on November 30, 2015 for five credit card charges he incurred at Erv's Mug, Paisano's, Joes K Ranch, Barbieri's Italian Inn II, and the Azteca Restaurant to purchase gift cards for Local 02-1343's annual Christmas Party. Mr. Streich failed to retain itemized receipts for these expenses and the credit card charge receipts that were retained were not adequate in that they did not indicate what was purchased. As another example, adequate supporting documentation was not retained for a \$528.36 check issued to the Radisson Paper Valley Hotel on May 4, 2015 for lodging for members to attend Right-To-Work training in Appleton, WI. In support of this payment, Local 02-1343 only retained a voucher and a reservation confirmation printout, which is not sufficient.

Local 02-1343's records of meal expenses did not always include itemized receipts or the names and titles of the persons incurring or receiving the benefit of the restaurant charges. For example, an itemized receipt was not retained for a \$17.43 meal expense incurred by Mr. Kubricky at the Olympia Resort and Spa in Oconomowoc, WI on October 14, 2015. In support of this expense, the union retained a voucher and a credit card signature receipt, which is not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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. 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. 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.

2. Reimbursed Auto Expenses

You, Mr. Streich, Unit President Brian Bishop, and Unit Vice President Kevin O'Hearn received reimbursement for the business use of your personal vehicles, but did not retain adequate documentation to support payments made to yourself and them totaling at least \$892 during 2015. You and Mr. Streich's mileage reimbursements were claimed on expense vouchers that normally identified the total mileage expenses, the total miles driven, the dates of travel, the locations traveled to, and the union business conducted; however, the expense vouchers were not sufficient because they failed to identify the locations traveled from. Mr. Bishop's mileage reimbursements were claimed on expense vouchers that normally identified total mileage expenses, the total miles driven, and the union business conducted; however, the expense vouchers were not sufficient because they failed to identify the dates of travel, the locations traveled to and from, and the number of miles driven each day. Mr. O'Hearn's mileage reimbursements were claimed on expense vouchers that normally identified the total mileage expenses, the total miles driven, the dates of travel, and the union business conducted; however, the expense vouchers were not

sufficient because they failed to identify the locations traveled to and from. The union 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. Disposition of Property

The audit revealed that Local 02-1343 purchased 300 \$25 gift cards in 2015 and that most of the gift cards were given away to members in 2015; however, Local 02-1343 did not maintain adequate records that identified the recipients of four gift cards that were given away. Additionally, Local 02-1343 did not maintain records that identified the gift cards (and their value) that were on hand at the beginning and end of the year. Records must be retained which account for all union property. In the case of gift cards or other items sold or given away to members, records must be maintained to clarify and support information required to be reported by Local 02-1343 in Statements A and B of the Labor Organization Annual Report (Form LM-3). The value of any gift cards or similar property on hand at the beginning and end of the year should be reported in Item 30 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the Form LM-3 with the identity of the recipient(s) or donor of such property.

4. Failure to Record Receipts and Receipt Dates not Recorded

The audit revealed that Local 02-1343 did not adequately record in its receipts records income from entry fees collected at its summer picnic and annual Christmas party, tax refunds, the resale of hockey tickets, entry fees from its bowling tournament, the resale of gift cards, and 50/50 raffles it conducted during 2015. During the exit interview, Mr. Kubricky stated that he was not aware of the proper way to record receipts until he attended United Steelworkers Financial Officer Training last April. In addition, entries in Local 02-1343's WINFIN NOVA deposits register reflect the date the union deposited money, but not the date money was received for receipts from the resale of hockey tickets and a reimbursement received from United Steelworkers District 2 totaling at least \$2,146. Union receipts records must show the date of receipt.

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. 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.

5. Failure to Maintain Receipt Records

The audit revealed that Local 02-1343 did not retain its employer checkoff statements or bank deposit receipts during 2015. During the audit, Mr. Kubricky stated that he destroyed the checkoff statements at the end of 2015 because checkoff payments are received by electronic fund transfers and are recorded on the union's bank statements. During the exit interview, Mr. Streich stated that the bank deposit slips and receipts were destroyed because deposits are recorded on the union's bank statements.

As previously noted, 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.

Based on your assurance that Local 02-1343 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(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 02-1343 amended its bylaws in 2012, but did not file a copy with its LM report for that year. Local 02-1343 has now filed a copy of its current bylaws.

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 02-1343 for the fiscal year ended (FYE) December 31, 2015, 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 Local 02-1343 gave away gift cards, tee-shirts, and raffle tickets totaling at least \$7,143 to members during 2015. 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." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers

Local 02-1343 did not include reimbursements to you, former [REDACTED], and Mr. Streich totaling at least \$11,430 in the amounts reported in Item 24 (All Officers and Disbursements to Officers), Column E (Allowances and Other Disbursements). Local 02-1343's disbursements records indicate that you, [REDACTED], and Mr. Streich received reimbursed expenses totaling \$12,357; however, the total amount reported in Column E of Item 24 for you, [REDACTED], and Mr. Streich was \$1,107. It appears the union erroneously reported these payments in Items 48 (Office and Administrative Expense) and/or Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 02-1343 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 for room rent only) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48.

3. Receipts and Disbursements From 50/50 Raffles

The audit revealed that no receipts and disbursements were reported in Statement B of the LM-3 for Local 1343's 50/50 raffles that were held three times during 2015. The 50/50 raffles were "netted," meaning that the related receipts and disbursements were completely offset by one another and not recorded as receipts or disbursements in the WINFIN NOVA general ledger or reported on the LM report. The purpose of Statement B is to report the flow of cash in and out of your organization during the reporting period. Since Statement B reports all cash flowing in and out of your organization, "netting" is not permitted. The money received from members for the 50/50 raffles should have been reported in Item 43 (Other Receipts). The money disbursed to members that won the 50/50 raffles and to charities should have been reported in Item 48 or Item 51 (Contributions, Gifts, and Grants).

I am not requiring that Local 02-1343 file an amended LM report for 2015 to correct the deficient items, but Local 02-1343 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Signing Blank Checks

During the opening interview, Mr. Kubricky advised that he signs blank checks. Article VII, Section 5 of the International Union of United Steelworkers Constitution requires that all checks be signed by the president, financial secretary, and treasurer. The three signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the three signature requirement. At the exit interview, Mr. Kubricky advised that he no longer signs blank checks.

I want to extend my personal appreciation to Steelworkers Local 02-1343 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,

C Jason Kish
Investigator

cc: Mr. Dennis Kubricky, Financial Secretary
Mr. Scott Streich, Treasurer
Ms. Lisa Jaskie, Administrative Assistant