



December 2, 2016

Mr. Don Carlson, President's  
Steelworkers Local 2-59  
399 Setting Sun Trail  
Nekoosa, WI 54457

Case Number: 320-6008669  
LM Number: 041453

Dear Mr. Carlson:

This office has recently completed an audit of Steelworkers Local 2-59 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 Matt Bender, Secretary Treasurer Dale Goessl, Recording Secretary Jeffrey Josie, and Trustees Greg Fuehrer, Kirk Hamilton, and Mark Gustin on November 29, 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 2-59's 2015 records revealed the following recordkeeping violations:

#### 1. Receipt Dates and Sources not Recorded

Entries in both Local 2-59's receipts journal (maintained in Microsoft Excel) and in the local's electronic accounting software program QuickBooks, reflect the date the union deposited money, but not the date money was received. In addition, Local 2-59 failed to maintain adequate records for receipts which identify the source of \$1,090 in receipts. Entries in both the Excel receipts ledger and the QuickBooks Ledger identify the source of two deposits totaling \$1,090 (\$955 on 12/10/15 and \$135 on 12/21/15) as "Christmas Tickets." During the audit, Mr. Goessl advised that several members of the executive board sell tickets to members for admission to the holiday party. The board members turn the ticket money over to Mr. Goessl to record and deposit. Mr. Goessl does not maintain records that identify the amount of money turned over to him by each board member, rather

he records all the money he receives from multiple sources as one lump sum amount and identifies the source as "Christmas Tickets."

Union receipts records must include an adequate identification of all money the union receives. The records must show the date and amount received, and the source of each 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 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.

## 2. Lack of Supporting Documentation for Disbursements and Reimbursed Expense Payments to Officers

Local 2-59 did not retain adequate documentation for over \$4,000 in disbursements to vendors and for over \$2,600 in reimbursed expense payments to officers. For example, Local 2-59 issued check [REDACTED] to [REDACTED] in the amount of \$1,919.10 and in support of this expense, maintained only a handwritten document with the notation "\$17.99 x 90." Local 2-59 did not maintain any other supporting documents to confirm the union business purpose of the expense. Another example includes check [REDACTED] issued to [REDACTED] in the amount of \$1,000 with the notation "Christmas Party," and no other supporting documentation was maintained in support of this expense, which is not sufficient. In the case of both of these examples, if the expense receipt is not sufficiently descriptive, a union officer or employee should write a note on it providing the additional information.

As 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.

## 3. Per Diem Payments

Expense vouchers for per diem payments totaling more than \$600 prepared by you are not adequate because the forms failed to identify the specific dates of travel. Although the claims for per diem were generally documented on an expense voucher or some other document, the information on the voucher failed to identify the dates of travel.

In the case of per diem payments to officers and employees for travel on union business, Local 2-59 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.

## 4. Lack of Salary Authorization

Local 2-59 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. Article XVI of the Local 2-59 bylaws provide for base salary amounts that were effective January 1, 1993. The bylaws also provide that the salaries be adjusted on June 1<sup>st</sup> of each year by the same percent as the annual contractual negotiated wage settlement. The salaries reported on the LM-3 Report for the audit year were almost 60% higher than the base salaries established in the bylaws; however, Local 2-59 did not retain adequate documentation, such as contracts dating back to 1993, to show that amounts paid to officers in the audit year were the authorized amounts. The union must

keep a record, such as meeting minutes, or in the specific case of Local 2-59, past collective bargaining agreements, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 2-59 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 2-59 amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year. Local 2-59 has now filed a copy of its constitution and 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 Steelworkers Local 2-59 for the fiscal year ended December 31, 2015, was deficient in the following areas:

##### 1. Disbursements to Officers

Local 2-59 did not include some reimbursements to officers totaling at least \$5,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). The audit revealed that Local 2-59 disbursed payments to you totaling \$2,101 and payments to Mr. Goessl totaling \$3,523; however, Local 2-59 reported only \$259 in Column D (Gross Salary) of Item 24 for you and reported \$0 for Mr. Goessl. It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 2-59 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 (Office and Administrative Expense).

## 2. Other Receipts and Other Disbursements

The audit revealed that Local 2-59 recorded and deposited receipts totaling \$102,941 during the audit year, but reported \$110,955 in Item 44 (Total Receipts). The additional information provided in Item 56 reveals that Local 2-59 erroneously included amounts withheld from officer and employee payroll checks totaling \$7,846 for dues and withholding taxes as other receipts in Item 43. Amounts withheld from officer and employee salaries for transmittal on their behalf, such as tax and dues withholdings, are not considered receipts and should not be reported as such. However, any portion of withheld taxes or any payroll or other deductions which have not been transmitted at the end of the reporting period are liabilities and must be reported in Item 35 (Other Liabilities).

In addition, Local 2-59 erroneously over-reported the disbursements for the remittance of employee tax and dues withholdings in Item 54 (Other Disbursements). Based on the information provided by Mr. Goessl at the exit interview, he included the amount for employee withholdings for taxes and dues in other disbursements in addition to the actual disbursements to the IRS and the USW for these payments and therefore over-reported those amounts.

The LM Report is required to be prepared using the cash method of accounting. Under the cash method of accounting, receipts are recorded when money is actually received by your organization and disbursements are recorded when money is actually paid out by your organization. In the case of Local 2-59, the only amounts required to be reported in Statement B for withheld amounts are those that were actually disbursed during the audit year.

I am not requiring that Local 2-59 file an amended LM report for 2015 to correct the deficient items, but Local 2-59 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issue

#### Lost Wage Policy

The audit revealed that Local 2-59 reimburses its officers for wages lost at the employer for time spent working on union related business during normal working hours. Time is paid at the rate that would have been paid by the employer, including overtime rates. The audit also revealed that if an officer is required to attend a conference or convention over a period of time that includes an "off day" on the southern swing shift schedule at the employer, the union will pay for eight hours of wages at the straight time rate; however, Local 2-59 does not have a written policy covering these practices. The only written provisions Local 2-59 has in its records with regard to lost time includes Article XVI, Sections 6 and 7 which state: (6) "The Executive Board members and shop stewards shall be paid lost time for attending union meetings", and (7) "The President shall have the day off with lost time pay for regular monthly meetings and any special membership meetings. If a meeting falls on the president's day off, he may take the day before or day after the meeting off with payment for lost time."

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. 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. These practices will allow the union to properly report lost time payments on the Labor Organization Annual Report Form LM-3.

OLMS recommends that union policies and procedures for lost wages 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.

I want to extend my personal appreciation to Steelworkers Local 2-59 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,

A large black rectangular redaction box covering the signature of the investigator.A smaller black rectangular redaction box covering the name of the investigator.

Investigator

cc: Mr. Dale Goessl, Secretary Treasurer  
Mr. Matt Bender, Vice President  
Mr. Jeffrey Josie, Recording Secretary