



December 20, 2017

Mr. Doug Hilgart, President  
Steelworkers Local 2-445



Case Number: 320-6012174 [REDACTED]  
LM Number: 051248

Dear Mr. Hilgart:

This office has recently completed an audit of Steelworkers Local 2-445 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 Carl Graceffa, Treasurer Rita Smart, Financial Secretary Fred Munding, Recording Secretary Grant Tesnow, and Accountant [REDACTED] on December 12, 2017, 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 2-445's 2016 records revealed the following recordkeeping violations:

#### 1. Fixed Assets

The LM-3 filed by Local 2-445 for 2016 reported fixed assets totaling \$713 at the beginning and end of the audit year (Items 29(A) (Fixed Assets, Start of Reporting Period) and 29(B) (Fixed Assets, End of Reporting Period)); however, Local 2-445 failed to retain any records to verify the accuracy of those figures. During the audit, [REDACTED] stated that the union has carried that

figure on their records for many years, and he thought it might be the value of a fireproof safe that was purchased a long time ago, but none of the other officers were able to verify this.

In the case of fixed assets, the union must maintain a written or electronic inventory or other similar record identifying each fixed asset and the cost and depreciation of each fixed asset. Such records are required to be retained to verify, clarify, and support information required to be reported in Item 29 of the LM-3 Report.

## 2. Lack of Salary Authorization

Local 2-445 did not maintain records to verify that the salaries reported Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. During the organizational interview, you and the other officers present advised that the current salaries paid to officers have been in effect for at least six years and were likely authorized at a membership meeting; however, no one was sure if that authorization was recorded in the meeting minutes nor if it was recorded in such a way that the current salary levels were specifically identified. As of the date of this letter, Local 2-445 has not provided any additional documentation to verify that the current salary levels were properly authorized.

The union must keep a record, such as meeting minutes, to show the current salary and other forms of compensation have been authorized by the entity or individual in the union with the authority to establish these amounts.

## 3. Meal Expenses

Local 2-445 did not require officers to submit itemized receipts for meal expenses totaling at least \$250. The audit found that Mr. Mundinger charged several meal expenses to the union credit card, but retained only the signature copy of the credit card receipt, which is not sufficient. The union must maintain itemized receipts provided by restaurants to officers and employees. 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.

In addition, Local 2-445's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, a \$33.72 credit card charge incurred by Mr. Mundinger at the Pal Café on April 14, 2016 did not include the full names and titles of those present or a union business purpose on the receipt.

Union 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.

## 4. Lost Wages

Local 2-445 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$3,000. The union must maintain records 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. The OLMS audit found that Local 2-445 documented lost wage claims on a union lost time and expense voucher; however, the union business purpose identified on many of the vouchers included overly vague descriptions such as "meeting," which does not sufficient describe the union business being conducted.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*. This compliance tip contains more information and guidance for documenting lost wage claims.

Based on your assurance that Local 2-445 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 LM-3 filed by Local 2-445 for the fiscal year ended December 31, 2016 was deficient in the following areas:

#### 1. Disbursements to Officers

Local did not include some reimbursements to officers totaling at least \$300 in the amounts reported Item 24 (All Officers and Disbursements to Officers). For example, Local 2-445's records indicate that Mr. Munding received reimbursement payments from Local 2-445 totaling approximately \$298; however, the total amounts reported in Column E (Allowances and Other Disbursements) for Mr. Munding was \$0. During the exit interview, [REDACTED] confirmed the union misreported the payments to Mr. Munding in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 2-445 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. Payroll Tax

The audit found that Local 2-445 disbursed payments totaling more than \$1,700 to the U.S. Department of Treasury for purposes of payroll taxes assessed against the union as an employer (Social Security and Medicare (FICA)). The LM-3 Instructions provide that all disbursements made for taxes assessed against and paid by the labor organization, such as your

organizations FICA taxes as an employer, must be reported in Item 48. [REDACTED] confirmed the employer paid taxes were erroneously reported in Item 54 with other taxes that were withheld and transmitted on behalf of employees of the union.

### 3. Benefit Payments

During the audit year, Local 2-445 disbursed approximately \$23,000 from the Sunshine Fund Checking account for the purpose of providing weekly benefit payments to members who were off work on sick or disability leave. The LM-3 instructions require that all direct and indirect benefit disbursements, which include these types of payments, must be reported in Item 50 (Benefits); however, Local 2-445 reported \$0 in Item 50. [REDACTED] confirmed the benefit payments were erroneously reported in Item 47 (Per Capita Tax).

I am not requiring that Local 2-445 file an amended LM report for 2016 to correct the deficient items, but Local 2-445 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issues

#### 1. Lost Wage and Expense Policies

During 2016, Local 2-445 disbursed payments totaling more than \$13,000 to officers for wages lost when they are required to be absent from their job at Flambeau River Paper Mill to attend to union business. In addition, although the union did not disburse any travel payments in 2016, union officers advised that Local 2-445 has issued reimbursement for travel expenses in past years, including reimbursement for per diem and mileage. During the opening interview of the audit, you stated that a lost wage and expense form must be filled out for all claims for wage and expense reimbursement. During the exit interview, you stated that Local 2-445 has been disbursing lost wage and expense reimbursement to officers and members pursuant to unwritten practices that have been in effect since at least you took over as president. Although Local 2-445 requires officers and members to document lost wage claims and expense reimbursement claims on a voucher with the union, there is no written policy that provides the authorization for these types of payments.

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 and expense payments. OLMS recommends that unions (1) adopt clear policies and procedures for making lost time or and expense payments and (2) use vouchers that require detailed information to these payments. These practices will allow the union to properly report lost time and expense payments on the Labor Organization Annual Report Form LM-3.

OLMS recommends that union policies and procedures for lost wages and expense reimbursement 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.

## 2. Credit Card Policy

The audit revealed that although Local 2-445 disbursed more than \$2,000 in union funds for purchases made on the union's credit card, the union has no written policy governing the use of the union credit card. To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish a written policy that outlines the best practices for monitoring credit card use and administering payments within your union. OLMS recommends that unions (1) adopt clear policies and procedures for credit card use and payment, (2) maintain detailed documentation to support each credit card charge and credit card payment, and (3) regularly monitor compliance with the established credit card policies and procedures. During the exit interview, a compliance tip regarding credit cards was provided.

I want to extend my personal appreciation to Steelworkers Local 2-445 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. Rita Smart, Treasurer  
Mr. Fred Munding, Financial Secretary  
Mr. Grant Tesnow, Recording Secretary  
Mr. Carl Graceffa, Vice President  
Mr. Jack Bodoh, Chief Steward