



January 17, 2017

[REDACTED], Acting President  
Steelworkers Local 02-1610

Case Number: 320-6008688 [REDACTED]  
LM Number: 014103

Dear [REDACTED]:

This office has recently completed an audit of Steelworkers Local 02-1610 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 Michael Burdette, Treasurer David Loing, former Financial Secretary [REDACTED], and United Steelworkers District 2 Staff Representative [REDACTED] on January 13, 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 02-1610's 2015 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and General Reimbursed Expenses

Local 02-1610 did not retain adequate documentation for disbursements to vendors and payments to officers and members totaling at least \$12,750 in 2015. For example, adequate supporting documentation was not retained for a \$213.09 reimbursement to former President [REDACTED] on May 11, 2015 for “petty cash.” No receipt was retained and no business purpose, date of purchase, vendor name, or other clarifying information was recorded on the voucher for this reimbursement. As another example, adequate supporting documentation was not retained for a \$50 check issued to Federal Mediation and Conciliation on May 26, 2015 for arbitration services. In support of this payment, Local 02-1610 only retained a voucher and the check stub, which is not sufficient.

As another example, Local 02-1610’s records of meal expenses did not always include the names and titles of the persons incurring or receiving the benefit of the restaurant charges. For example, the names and titles of those present were not included on either the itemized receipt or the voucher retained for a \$32.08 meal expense incurred by [REDACTED] at Maxfield’s Pancake House in Madison, WI on February 26, 2015 for a legislative conference.

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

[REDACTED] received reimbursement for the business use of his personal vehicle, but did not retain adequate documentation to support payments made to him totaling at least \$1,045 during 2015. [REDACTED] mileage reimbursements were claimed on expense vouchers that normally identified the total miles driven, the total mileage expenses, 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. 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. Lost Wages

Local 02-1610 did not retain adequate documentation for lost wage reimbursement payments to [REDACTED] and [REDACTED] totaling at least \$2,240 during the audit year. 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 audit found that the union retained vouchers for lost wage reimbursements, but in some instances the vouchers were not sufficient because [REDACTED] and [REDACTED] did not always identify the date the lost wages were incurred.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 02-1610 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

4. Disposition of Property

Local 02-1610 did not maintain an inventory or similar record to account for items (e.g. jackets, tee-shirts, beanies, hats, prizes for its summer picnic, etc.) totaling at least \$10,319 that it purchased or gave away during 2015. Additionally, the audit revealed that Local 02-1610 did not maintain adequate records that identify all recipients of items that were given away during 2015. Records must be retained which account for all union property. In the case of jackets or other items sold or given away to members, records must be maintained to clarify and support information required to be reported by Local 02-1610 in Statements A and B of the Labor Organization Annual Report (Form LM-3). The value of any jackets 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 report with the identity of the recipient(s) or donor of such property.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

5. Failure to Record Receipts and Receipt Dates not Recorded

The audit revealed that Local 02-1610 did not adequately record in its receipts records cash received from the sale of raffle tickets at its 2015 summer picnic and two receipts from unknown sources totaling at least \$1,867. In addition, entries in Local 02-1610's Excel general ledger reflect the date the union deposited money, but not the date money was received for receipts totaling at least \$1,035. 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.

6. Lack of Salary Authorization

Local 02-1610 did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported.

The audit revealed that [REDACTED] and Mr. Burdette appear to have split the financial secretary's salary for May 2015, the month that Mr. Burdette took over as financial secretary for Local 02-1610; however, from June through December 2015, Mr. Burdette and [REDACTED] both appear to have been paid the full \$210 monthly salary for the financial secretary position. A review of Local 02-1610's minutes did not reveal any authorization for [REDACTED] to continue to receive a salary for the financial secretary position after Mr. Burdette was installed in May 2015. Also, the audit did not reveal any authorization for [REDACTED] to be paid the financial secretary salary in any union records. At the exit interview, [REDACTED] stated that [REDACTED] authorized Mr. Burdette and him to both receive full salaries for the position of financial secretary during Mr. Burdette's "training period." The union must keep a record, such as meeting minutes, to show the current salaries for officers and employees as authorized by the entity or individual with the authority to establish salaries.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 02-1610's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 02-1610 for the fiscal year ended 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 02-1610 gave away prize items, jackets, hats, beanies, tee-shirts, and retiree pins to members totaling at least \$5,579 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 02-1610 did not include reimbursements to you, [REDACTED], [REDACTED], Mr. Burdette, and Mr. Loing totaling at least \$16,743 in the amounts reported in Item 24 (All Officers and Disbursements to Officers), Column E (Allowances and Other Disbursements). Local 02-1610's disbursements records indicate you, [REDACTED], [REDACTED], Mr. Burdette, and Mr. Loing received reimbursed expenses totaling \$16,743; however, the total amount reported in Column E of Item 24 for you, [REDACTED], [REDACTED], Mr. Burdette, and Mr. Loing was \$0. It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 02-1610 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.

Additionally, Local 02-1610 did not include deductions from payments to its officers totaling at least \$8,045 in the amount reported in Item 24, Line 10 (Less Deductions). The union must report in Item 24, Line 10 the total amount of withheld taxes, payroll deductions, and other deductions from disbursements made to its officers.

3. Petty Cash Fund

At the opening interview, Mr. Burdette stated that he deposited cash receipts from the 2015 summer picnic raffle into his personal bank account and stated that he does this for all "petty cash" received by Local 02-1610. According to Mr. Burdette, he reimburses

members for union “petty cash” purchases they make using his personal funds, in lieu of Local 02-1610 keeping cash on-hand for its “petty cash fund.”

The audit revealed that Local 02-1610 did not include cash from the sale of raffle tickets at its summer picnic totaling at least \$832 in the amount reported in Item 43 (Other Receipts). The audit also revealed that Item 18 (During the reporting period did your organization have loans totaling more than \$250 to any officer, employee, or member, or make any loans to a business enterprise?) should have been answered, "Yes," because Mr. Burdette deposited \$832 of Local 02-1610’s “petty cash” into his personal bank account during 2015, which constitutes a loan to Mr. Burdette, and the amount of this loan must be reported in Item 53 (Loans Made).

Additionally, Mr. Burdette made “petty cash” payments to members totaling at least \$268 during the audit year; however, Local 02-1610 did not include these payments in the amount reported in Item 48 (Office and Administrative Expense). Further, Local 02-1610 did not include these “petty cash” payments, which also constitute loan repayments to the union by Mr. Burdette, in the amount reported in Item 43.

The union must report in Item 43 the total amount of all other receipts received by the union during the reporting period other than those reported in Items 38 (Dues) through 42 (Sale of Investments and Fixed Assets), including, for example, proceeds from the sale of supplies, loans obtained, repayments of loans made, rents, funds collected for transmittal to third parties, and receipts from raffle ticket sales. The union must report in Item 48 the total amount of all disbursements made by the union during the reporting period for its ordinary office and administrative expenses, for example rent, utilities, office supplies, postage, and “petty cash fund” payments.

The value of any loans owed to the union at the beginning and end of the year should be reported in Item 26 (A) and (B) (Loans Receivable). Further, the union must identify each individual and business enterprise that received a direct or indirect loan in the additional information section (Item 56) of the LM report along with the amount each individual/business owed at the end of the reporting period and the amount loaned to each individual/business during the reporting period. In addition, the union must report the purpose, terms for repayment, and security for each loan.

4. Statement A (Cash Balance)

It appears that the cash figures reported in Item 25 (A) (Cash, Start of the Reporting Period) and Item 25 (B) (Cash, End of Reporting Period) for 2015 are not the figures according to Local 02-1610’s books after reconciliation to the bank statements. The cash balance as of January 1, 2015, as reconciled to the bank statements and reflected in the union’s general ledger, was \$105,420.13; however, the cash reported in Item 25 (A) was \$50,278. The cash balance as of December 31, 2015, as reconciled to the bank statements and reflected in the union’s general ledger, was \$83,736.54; however, the cash balance reported in Item 25 (B) was \$22,055. At the exit interview, [REDACTED] stated that he prepared Local 02-1610’s

2015 LM-3 report, and that he did not know why he incorrectly reported the cash balances in Items 25 (A) and 25 (B). The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

5. Total Receipts and Disbursements Reported Incorrectly

The audit revealed that Local 02-1610 had total receipts of \$40,384 during 2015. However, Local 02-1610 reported total receipts of \$38,503 in the Cash Receipts section of Statement B (Receipts and Disbursements). It appears that most of the discrepancy can be attributed to the aforementioned “petty cash” transactions not being included in the amount reported in Item 43.

Additionally, the audit revealed that Local 02-1610 disbursed funds totaling \$62,067 during 2015; however, Local 02-1610 reported total disbursements of \$66,726 in the Cash Disbursements section of Statement B. As previously discussed, Local 02-1610 did not include deductions from payments it made to its officers in the amount reported in Item 24, Line 10, which appears to have resulted in Local 02-1610 over-reporting disbursements to its officers in Item 24, Line 11 (Net Disbursements) and Item 45 (To Officers).

The LM-3 instructions require that the LM-3 be prepared using the cash method of accounting. Under the cash method of accounting, receipts are recorded when money is actually received by the labor organization and disbursements are recorded when money is actually paid out by the labor organization. The purpose of Statement B is to report the flow of cash in and out of the union during the reporting period. Receipts that are received and disbursements that are made by an agent on behalf your organization are considered receipts and disbursements of your organization and must be reported on the LM report.

Local 02-1610 must file an amended Form LM-3 for the fiscal year ended December 31, 2015 to correct the deficient items discussed above. I encourage Local 02-1610 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than February 1, 2017 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Issue

Lost Wage Policy

██████████, Mr. Burdette, and Mr. Loing advised at the opening interview that Local 02-1610 pays wages to officers and employees for any wages lost while conducting union business and also for any personal time spent working on union business. ██████████ further advised that the United Steelworkers (USW) constitution authorizes members to receive “lost time” for

conducting union business during non-work hours and that “lost time” of this type is not common and must be authorized by Local 02-1610’s primary financial officers.

The audit revealed that Local 02-1610 does not have bylaws of its own and uses the *USW By-Laws for Local Unions*. Article VI, Section 1 of the *USW By-Laws for Local Unions* states that “each Local Union is permitted to reimburse for expenses in accordance with its approved By-Laws but in no event in excess of the standards utilized by the International Union for reimbursement of its employees.” The USW policy for “Reimbursement for Travel Expenses” states that lost time may only be paid to individuals who are on authorized union business for actual scheduled lost time hours.

Additionally, [REDACTED], Mr. Burdette, and Mr. Loing advised at the opening interview that reimbursement of lost wages is paid at members’ straight time hourly wage rates. The audit revealed that [REDACTED] was reimbursed for lost wages at an hourly wage rate that was higher than his straight time hourly wage rate on five occasions, resulting in overpayments to [REDACTED] totaling at least \$563 during the audit year. At the exit interview, Mr. Burdette, [REDACTED], Mr. Loing, [REDACTED], and you all indicated that you believe that [REDACTED] reported a higher wage rate on his lost wage vouchers in order off-set the value of vacation time, piece bonuses, and other benefits that [REDACTED] lost due to the lost wages he incurred.

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 wage and personal time payments. OLMS recommends that unions (1) adopt clear policies and procedures for making lost time, personal time, or similar payments and (2) use vouchers that require detailed information to support lost time and personal time payments. These practices will allow the union to properly report lost time payments and travel expenses on the Form LM-3 report.

OLMS recommends that union policies and procedures for lost wages and personal time 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 personal time. You may want to have its trustees or auditors compare the steps taken to pay lost time and personal time with the union’s policies to make sure that all required procedures are being followed.

I want to extend my personal appreciation to Steelworkers Local 02-1610 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,

[REDACTED]

Investigator

cc: Mr. Michael Burdette, Financial Secretary

Mr. David Loing, Treasurer

[REDACTED], former Financial Secretary

[REDACTED] USW District 2 Staff Representative