



November 1, 2017

Mr. Brian Dreisbach, Office Manager
Steelworkers, AFL-CIO
Local 10-6996-S
1251 North Front Street
Reading, PA 19601

Case Number: 140-6011934 [REDACTED]
LM Number: 063567

Dear Mr. Dreisbach:

This office has recently completed an audit of Steelworkers, AFL-CIO Local 10-6996-S 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 and Financial Secretary Michael Shannon on October 27, 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 6996's 2016 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 6996 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees related to Local 6996's strike and defense fund. There was no backup documentation to support disbursements from the fund totaling at least \$369,205.38. This included payments to the Discovery Federal Credit Union Visa credit card totaling at least \$26,130.20.

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. Furthermore, The United Steelworkers Strike and Defense Fund Rules, specifically guidelines 9 and 13, require supporting documentation to be maintained.

2. Disposition of Property

Local 6996 did not maintain an inventory of its assets. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 (Other Assets) of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28.

3. Information not Recorded in Meeting Minutes

Article V, Sections 5(c) and 5(d) require all expenditures to be approved by the members at a meeting, with the exception of recurring standard bills. However, the 2016 meeting minutes do not contain any reference to the donation made to Wood to Wonderful by check [REDACTED] dated November 15, 2016 in the amount of \$4,000.00. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

During our initial interview, you and the other officers had explained disbursements are approved by the membership subsequent to being made at the bi-monthly membership meetings. During the exit interview, you and Financial Secretary Shannon confirmed the donation to Wood to Wonderful was approved by the membership in 2017.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 6996'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 Violation

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-2 filed by Local 6996 for the fiscal year ended December 31, 2016, was deficient in the following area:

Failure to Itemize Disbursement or Receipt

Local 6996 did not properly report some "major" transaction(s) in Schedules 17-19. A "major" transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. The audit found that Local 6996 did not properly itemize disbursements made to electric company Met Ed totaling \$7,501.51, United Community Services for Working Families totaling \$8,206.56, and Xerox Corporation totaling \$6,264.15.

I am not requiring that Local 6996 file an amended LM report for 2016 to correct the deficient items, but Local 6996 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Check Signatures

The audit revealed that of the 709 checks issued from the general checking account during fiscal year 2016, 677 checks bore three officer signatures while 32 checks bore only two officer signatures. Article VIII, Sections 5 and 6 of the United Steelworkers International Constitution and Article V, Sections 5 and 10 of the Local 6996 Bylaws stipulate that the president, financial secretary and treasurer sign all checks. OLMS recommends that Local 6996 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Steelworkers, AFL-CIO Local 10-6996-S 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. Michael Shannon, Financial Secretary