



September 27, 2017

Mr. Don Hill, President
Steelworkers, Local 7-745-L
2496 E. Maize Road
Freeport, IL 61032-9570

Case Number: 310-6011863 [REDACTED]
LM Number: 062657

Dear Mr. Hill:

This office has recently completed an audit of Steelworkers, Local 7-745-L 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 Financial Secretary Steve Bamberg and Treasurer Dan Kreeger on August 25, 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 7-745-L's 2016 records revealed the following recordkeeping violations:

1. Disposition of Property

Local 7-745-L did not maintain an inventory of t-shirts it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. 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 30. The union must record in at least one record the date and amount received from each sale of union t-shirts. 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.

2. Failure to Record Receipts

Local 7-745-L did not record in its receipts records funds received from the sale of union t-shirts. You also advised that the funds were not deposited into the union's checking account. 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.

Based on your assurance that Local 7-745-L 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 (Form LM-3) filed by Local 7-745-L for the fiscal year ended December 31, 2016 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 the union have away union t-shirts. 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."

2. Employees

Item 17 (Pay any employee salary, allowances, and other expenses which, together with any payments from affiliates, totaled more than \$10,000?) should have been answered, "Yes," because the union paid Office Manager Mary Meier gross salaries, allowances, and other direct and indirect disbursements during the reporting period, totaling at least \$37,000. The union must identify the name, position, and total disbursements made to each employee or on behalf of each employee in the additional information section of the LM

report. The union must also identify the names of any other affiliated labor organization, which made disbursements to or on behalf of the employee, if applicable.

3. Other Assets

As previously noted above, Local 7-745-L had t-shirts on hand at the beginning and end of the fiscal year. However, the value of those items was not included in Item 30 (Other Assets). The LM-3 instructions state, enter in Columns A and B the total value as shown on your organization's books at the start and end of the reporting period of all assets which have not been reported in Items 25 (Cash), 26 (Loans Receivable), 27 (U.S. Treasurer Securities), 28 (Investments) and 29 (Fixed Assets). Local 7-745-7 erroneously omitted the value of these assets from the LM-3 report.

4. Cash Transactions

During the audit year, you advised that Local 7-745-L received funds from members for t-shirts. You also advised that these cash receipts were placed in a "petty cash" fund and used for other union expenses. Local 7-745-L failed to report the cash t-shirt sales in Item 43 (Other Receipts). In addition, Local 7-745-L failed to include petty cash disbursements in Items 45 through 54 on the LM-3 report. It appears that these receipts and disbursements were erroneously omitted from the report.

5. Office and Administrative Expenses

Local 7-745-L failed to properly report some office and administrative expenses totaling at least \$46,700. Review of the financial secretary's cash book found disbursements for office and administrative expenses such as the \$43,333 settlement installment payment to the Titan Tire union business time pool, and \$3,371 for the purchase of a storage shed used to cover the union's parade float. However, these disbursements were not included in the figure in Item 48 (Office and Administrative Expenses). It appears these disbursements were erroneously reported in Item 54 (Other Disbursements).

6. Failure to File Bylaws

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. Steelworkers' Local 7-745-L amended its constitution and bylaws in 2014, but did not file a copy with its LM report for that year. Local 7-745-L has now filed a copy of its constitution and bylaws.

Local 7-745-L has already filed an amended report correcting many of these deficiencies. I am not requiring that Local 7-745-L file an additional amended LM report for 2016 to correct the deficient items, but Local 7-745-L has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Steelworkers Local 7-745-L 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