



May 22, 2018

Mr. Chris Chappelle, President
Steelworkers, AFL-CIO, Local 1114
4621 W. National Avenue
West Milwaukee, WI 53214

Case Number: 320-6012311 [REDACTED]
LM Number: 019437

Dear Mr. Chappelle:

This office has recently completed an audit of Steelworkers Local 1114 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 Matt Keast, and Office Manager Claudia Barron on April 3, 2018, 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 1114's 2016 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and General Reimbursed Expenses

Local 1114 did not retain adequate documentation for disbursements to vendors and payments to Mr. Keast, Vice President Lee DaRonco, Trustee Doug Kaho, and an unknown member totaling at least \$642.32 in 2016. For example, adequate supporting

documentation was not retained for a \$40 cash disbursement in September 2016 to purchase a used printer from a member of Local 1114. In support of this expense, Local 1114 only retained a note that indicated that \$40 in cash was used to purchase a printer, which is not sufficient.

In addition, officers and members were not always required to submit itemized meal receipts for meal expenses they incurred. For example, no itemized receipt was retained for an \$11.84 meal expense that Mr. Keast incurred at Conejito's Place on February 11, 2016 while conducting an audit for Local 1114. In support of this meal expense, Local 1114 only retained a copy of Mr. Keast's credit card signature receipt, which is not sufficient.

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. Receipt Dates not Recorded

Local 1114's receipts records reflect the date the union deposited money, but not the date money was received for two P&H Sports Club rent checks, a Joy Global reimbursement check, and miscellaneous cash receipts totaling at least \$2,305. Union receipts records must show the date of 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.

3. Lack of Salary and Cell Phone Allowance Authorization

Local 1114 did not maintain records to verify that the salaries and allowances reported in Item 24 (All Officers and Disbursements to Officers) and Item 46 (Disbursements to Employees) of the LM-3 were the authorized amounts and therefore were correctly reported.

At the opening interview, you and Treasurer Philip Barron advised that, as president, you receive a \$10 monthly cell phone allowance. At the exit interview, you indicated that authorization for this cell phone allowance was probably included in Local 1114's meeting minutes from 2015; however, authorization for this cell phone allowance could not be

identified in Local 1114's meeting minutes or in any other union records. Additionally, at the exit interview you advised that after the union's previous office manager passed away, Local 1114's executive board informally agreed to hire Ms. Barron as the union's office manager, but neither the executive board nor the membership formally voted to authorize Ms. Barron's salary. Authorization for Ms. Barron's salary could not be identified in Local 1114's meeting minutes or any other union records. The union must keep a record, such as meeting minutes or an employment agreement, to show the current salaries and allowances for officers and employees as authorized by the entity or individual in the union with the authority to establish salaries and allowances.

Based on your assurance that Local 1114 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 1114 amended its bylaws in 2013 and subsequently revised them in 2014 and 2015, but did not file copies of the amended bylaws or subsequent revisions with its LM reports for the years that the changes were made. Local 1114 has now filed a copy of its 2013 bylaws and the revisions from 2014 and 2015.

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 1114 for fiscal year ended December 31, 2016 was deficient in the following areas:

1. Officers and Disbursements to Officers

The audit revealed that Local 1114 did not report Chief Stewards Warren Hagen, Dave Laack, and Doug Weiskirch and former Chief Steward Kevin Price as local officers in Item 24. The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union. The audit also revealed that Local 1114 did not include gross salary payments to Mr. Hagen, Mr. Laack, Mr. Weiskirch, and Mr. Price totaling at least \$4,633 in the amounts reported in Item 24, Column D (Gross Salary). Local 1114's disbursements records indicate that Mr. Hagen, Mr. Laack, Mr. Weiskirch, and Mr. Price received gross salary totaling \$4,633; however, Local 1114 did not report the payments to them in Item 24. During the exit interview, Ms. Barron indicated that she erroneously reported the payments to these officers in Item 46.

The union must report most direct disbursements to Local 1114 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. Statement B (Receipts and Disbursements)

The audit revealed that some of the cash received from the sale of a union jacket was used to purchase the previously mentioned printer for Local 1114. The audit also found that the receipt from the sale of the jacket and the disbursement for the printer were "netted" when they were reported in Statement B (Receipts and Disbursements) of the LM-3, meaning that a related receipt and disbursement were offset by one another and only the difference was reported as a receipt or disbursement. The purpose of Statement B is to report the flow of cash in and out of your organization during the reporting period. The LM-3 instructions state that since Statement B reports all cash flowing in and out of an organization, "netting" is not permitted. The \$50 received from the sale of the jacket should have been reported in Item 43 (Other Receipts). The \$40 disbursed to purchase the printer should have been reported in Item 52 (Purchase of Investments and Fixed Assets).

I am not requiring that Local 1114 file an amended LM report for 2016 to correct the deficient items, but Local 1114 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Use of Signature Stamp

During the opening interview, you stated that you and Mr. Barron are authorized to stamp Mr. Keast's signature on union checks and Mr. Keast and Mr. Barron are authorized to stamp your signature on union checks; however, only one signature can be stamped on each check issued by Local 1114. Article VI, Section 6 of the Local 1114 Bylaws requires that all checks be signed by the treasurer and counter signed by the president and financial secretary. The three-signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use of a signature stamp for the third signer negates the purpose of the three-signature requirement. OLMS recommends that Local 1114 review these procedures to improve internal control of union funds.

2. Payments for Reimbursed Expenses, Union Vacation, Lost Time, and Salaries

The audit revealed that on July 17, 2016, Local 1114 issued a \$369.75 check to First National Bank of Omaha (FNBO) on your behalf for charges you claimed to have made with your personal credit card on behalf of the union. The receipts and other

documentation retained by Local 1114 show that you made seven union charges totaling \$334.75 between June 14, 2016 and July 15, 2016, but there is no explanation or supporting documentation for the remaining \$35 that was paid to FNBO on your behalf. At the exit interview, you stated that you can't remember what this extra \$35 was for and agreed to review this payment with Mr. Keast and Mr. Barron and repay Local 1114 if you were over reimbursed.

Additionally, the audit revealed that on October 29, 2016, Local 1114 issued check [REDACTED] for \$846.28 to FNBO on your behalf for charges you claimed to have made with your personal credit card on behalf of the union between September 11, 2016 and October 18, 2016. This payment included a \$446.94 charge you made at the Crowne Plaza Milwaukee Airport Hotel on September 17, 2016 for room and audio equipment charges Local 1114 incurred during contract negotiations; however, this \$446.94 charge was previously paid by check [REDACTED], which Local 1114 issued to FNBO on your behalf on September 19, 2016. At the exit interview, you stated that this appears to have been an honest mistake on your part, most likely due to the way the charges appeared on your September and October 2016 credit card statements. You agreed to review these payments with Mr. Keast and Mr. Barron and repay Local 1114 if you were over reimbursed.

Furthermore, a review of the salary payments Local 1114 made to Mr. Barron, Mr. DaRonco, Mr. Kaho, Mr. Keast, and Recording Secretary Keith Forseth during the audit year, along with a comparison of the lost wage and union vacation claims submitted by these officers during the audit year with payroll records received from Komatsu Mining Corporation, revealed that Mr. Barron and Mr. Keast appear to have been underpaid a net total of \$165.04 and \$54.83, respectively, while Mr. DaRonco, Mr. Forseth, and Mr. Kaho appear to have been overpaid a net total of \$157.98, \$15.53, and \$276.43, respectively. At the exit interview, you and Mr. Keast indicated that some of these discrepancies might be due to erroneous employer payroll entries. Local 1114 will review the questionable salary, lost wage, and union vacation payments made to these individuals and take the appropriate measures to correct any under or over payments that are confirmed. OLMS recommends a careful review of expense/salary forms and union vacation and lost wage claims as this can help ensure adequate internal controls and safeguard union assets.

I want to extend my personal appreciation to Steelworkers Local 1114 for the cooperation and

Mr. Chris Chappelle

May 22, 2018

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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.

Investigator

cc: Mr. Matt Keast, Financial Secretary
Mrs. Claudia Barron, Office Manager