



November 27, 2018

Ms. Linda Kohnke, President  
Steelworkers, AFL-CIO Local 1327  
443 Scott Street  
Ripon, WI 54971

Case Number: 320-6014662  
LM Number: 008932

Dear Ms. Kohnke:

This office has recently completed an audit of Steelworkers Local 1327 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 James Reinsbach, Financial Secretary Elwood Sharpless, Jr., and Treasurer Linda Wirtz on November 21, 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 1327's 2017 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and General Reimbursed Expenses

Local 1327 did not retain adequate documentation for disbursements to vendors and payments to you, Mr. Reinsbach, and Ms. Wirtz totaling at least \$7,207 in 2017. For example, adequate supporting documentation was not retained for gift cards totaling \$4,000

that Local 1327 purchased from 10 area businesses for its Christmas party/fundraiser. In support of these disbursements, Local 1327 only retained vouchers, which is not sufficient. As another example, adequate supporting documentation was not retained for a \$39 reimbursement to Mr. Reinsbach for parking expenses he incurred in Pittsburgh, PA in March 2017 while attending a United Steelworkers LM Review. In support of this payment, Local 1327 only retained a voucher, which is not sufficient.

Local 1327's records of meal expenses did not always include itemized receipts or the names and titles of the persons incurring or receiving the benefit of the restaurant charges. For example, an itemized receipt was not retained for an \$11.85 meal expense incurred by you at Perkins in Oshkosh, WI on November 7, 2017. In support of this expense, Local 1327 only retained a non-itemized receipt and a voucher, 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. Lost Wages

Local 1327 did not retain adequate documentation for lost wage reimbursement payments to you, former Vice President Ryan Sasada, Mr. Sharpless, and Ms. Wirtz totaling at least \$2,122 during the 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 you, Mr. Sasada, Mr. Sharpless, and Ms. Wirtz did not always identify each date lost wages were incurred, the number of hours lost on each date, or adequately describe the union business conducted.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments* that contained a sample of an expense voucher Local 1327 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.

## 3. Disposition of Property

The audit revealed that Local 1327 did not maintain an inventory of tee-shirts it sold or gave away during the audit period. While Local 1327 retained records that identified the persons who received the tee-shirts, it did not maintain records that identified the date the tee-shirts were sold or given away or the tee-shirts (and their value) that were on hand at the beginning and end of the year. Additionally, Local 1327 failed to retain adequate records for items it raffled off at its Christmas party/fundraiser. The audit revealed that Local 1327 purchased gift cards totaling \$4,000 and received several donated items, including a washer and dryer, a big screen television, and a patio set, that were raffled off at its Christmas party/fundraiser. Local 1327 did not maintain adequate records that identify the recipients of the items that were raffled off.

Records must be retained which account for all union property. In the case of tee-shirts or other items sold or given away to members, records must be maintained to clarify and support information required to be reported by Lodge Local 1327 in Statements A (Assets and Liabilities) and B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-2). The value of any tee-shirts or similar property on hand at the beginning and end of the year should be reported in Item 28 (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-2 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.

4. Failure to Record Receipts and Receipt Dates not Recorded

The audit revealed that Local 1327 did not adequately record in its receipts records cash receipts totaling at least \$565 during the audit year. In addition, entries in Local 1327's WINFIN/NOVA receipts journal reflect the date the union deposited money, but not the date money was received for eight union hall rent checks, three bank interest checks, an Alliance Laundry Systems donation check, a United Steelworkers reimbursement check, receipts from the sale of tee-shirts and meal tickets, and cash receipts (as noted above) totaling at least \$4,087. 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 of the LM-2. The LM-2 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.

5. Raffles and Fundraiser

During the audit, it was determined that Local 1327 conducted 50/50 raffles during several of its membership meetings, with half of the money collected going to the winner(s) and the other half being donated to various charities/organizations. Additionally, Local 1327 sold meal tickets for its annual Christmas party/fundraiser and conducted several fundraising raffles at this event, including a 50/50 raffle, a "stretch" raffle, and a television raffle. Of the estimated \$3,000 collected from the sale of fundraiser meal tickets, \$1,341.50 was retained by Local 1327 and the rest was donated to members [REDACTED] and [REDACTED] for financial assistance. Half of the estimated \$1,200 collected from the sale of 50/50 raffle tickets went to three winners, with the other half being donated to [REDACTED]. [REDACTED] also received all of the estimated \$600 collected from the television raffle. All of the estimated \$1,300 collected from the sale of "stretch" raffle tickets was donated to [REDACTED]. The audit found that Local 1327 did not maintain adequate records to document the funds it collected and the funds that were awarded/donated to members.

For the sale of fundraising raffle and meal tickets, records must be maintained, at a minimum, that explain the number of tickets sold, the price of each ticket, the amount of money collected, and the names of the winners/beneficiaries. Records must also be kept that identify the name of each person who sells tickets and the date and amount of money that each person turns in to Local 1327. Such records must show that the persons who sell tickets fully account for all of the tickets provided to them by returning any unsold tickets along with the money raised from sold tickets. All unsold tickets, and ticket stubs (if any), must be retained.

Based on your assurance that Local 1327 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-2) filed by Local 1327 for the fiscal year ended December 31, 2017, was deficient in the following areas:

##### 1. Acquire/Dispose of Property

Item 15 (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 1327 gave away an unknown number of tee-shirts and raffled off gift cards, a clothes washer and dryer, two televisions, a patio set, and various other items totaling at least \$5,800 during the year. The union must identify the type and value of any property received or given away in Item 69 (Additional Information) 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. Raffle and Fundraiser Receipts and Disbursements

Local 1327 failed to report the full amount of the raffle and fundraiser ticket receipts it collected and the funds that were awarded/donated to members during the year. Local 1327 only reported \$1,341.50 out of the estimated \$6,252 in raffle and fundraiser ticket receipts it collected and did not report any of the estimated \$4,852 it awarded/donated to members. Local 1327 is required to report all money collected from raffles and fundraiser ticket sales in Schedule 14 and Item 48 (Other Receipts), and all money awarded/donated to members or other entities are required to be reported in Schedule 17 and Item 52 (Contributions, Gifts, and Grants). OLMS also recommends that in future raffles/fundraisers Local 1327 deposit the total amount of the raffle/fundraiser proceeds and write checks to the raffle winners/beneficiaries.

I am not requiring that Local 1327 file an amended LM report for 2017 to correct the deficient items, but Local 1327 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issues

#### 1. Pre-signing Checks

During the opening interview, you advised that you occasionally pre-sign checks if you are going to be out of town for an extended period of time and that checks for lodging expenses of members traveling on union business are occasionally pre-signed by all three signatories. Article VIII, Section 5 of the United Steelworkers International Union Constitution requires that all checks be signed by the president, financial secretary, and treasurer. 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the three signature requirement. At the exit interview, you advised that Local 1327 no longer allows any checks to be pre-signed.

#### 2. Lost Time and Salary Payments

A review of the salary payments Local 1327 made to Mr. Sharpless during the audit year revealed that he was overpaid \$320. Further, a comparison of the lost wage claims submitted by you, Mr. Sharpless, and Ms. Wirtz during the audit year with payroll records received from Alliance Laundry Systems revealed that you and Ms. Wirtz appear to have been underpaid a net total of \$201.40 and \$234.54, respectively, while Mr. Sharpless appears to have been overpaid a net total of \$288.93. During the audit, Ms. Wirtz indicated that she inadvertently made a duplicate salary payment to Mr. Sharpless in April 2017 and also miscalculated the payment amount for a lost time reimbursement that Mr. Sharpless

submitted in September 2017. Mr. Sharpless stated that he wasn't aware of either of these overpayments and agreed to repay Local 1327 for any overpayments he received. At the exit interview, Ms. Wirtz indicated that Local 1327 made deductions totaling \$637.10 from two checks it issued to Mr. Sharpless in October 2018 for salary and lost time. It appears that Ms. Wirtz underreported her hourly wage rate on seven lost time vouchers and that you and Ms. Wirtz both incurred some lost wages that you did not claim during 2017. Local 1327 will review the questionable salary and lost wage payments made to these individuals and take the appropriate measures to correct any under or overpayments that are confirmed. OLMS recommends a careful review of salary vouchers and union 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 1327 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. James Reinsbach, Vice President  
Mr. Elwood Sharpless, Jr., Financial Secretary  
Ms. Linda Wirtz, Treasurer