



November 27, 2018

Mr. Bill Grias, President
Steelworkers AFL-CIO Local 2-2659
14024 Fort Street
Southgate, MI 48195

Case Number: 320-6014554-
LM Number: 028-920

Dear Mr. Grias:

This office has recently completed an audit of the Steelworkers Local 2-2659 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 Dina Mendis, and Treasurer Karen Blade on November 7, 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 2-2659's 2017 records revealed the following recordkeeping violations:

1. Lost Wages

Local 2-2659 did not retain adequate documentation for lost wage reimbursement payments to Ms. Mendis, Ms. Blade, and Trustee James Morgan totaling at least \$6,290. 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 being conducted. The audit found that although the officers generally documented lost wage claims on a USW lost time and expense voucher, in many instances the vouchers were not sufficient in that the officers failed to provide the date the lost wages were incurred or sufficiently describe the union business being conducted.

During the exit interview, I provided the compliance tip sheet, *Union Lost Time Payments*, which contained a sample of an expense voucher Local 2-2659 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.

2. Reimbursed Auto Expenses

You and Mr. Morgan received reimbursement for the business use of your personal vehicles; however, the local failed to retain adequate documentation to support payments to both you and Mr. Morgan totaling at least \$2,370 during the audit year. Although all claims for mileage were documented on USW lost time and expense vouchers, many of the vouchers did not include the starting and ending destinations of travel or the dates on which the mileage expenses were incurred.

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. General Reimbursed Expenses to Officers

Local 2-2659 did not retain adequate documentation for two reimbursed expense payments disbursed to Ms. Mendis and Mr. Morgan totaling \$880. Supporting documentation for check [REDACTED] payable to Ms. Mendis for \$80 was insufficient in that the union retained only the USW lost wage and expense voucher, which identified the purpose of the payment as reimbursement for Worker to Worker Benefit tickets; however, no additional documentation such as a corresponding receipt for the tickets was maintained in the union's records. With regard to check [REDACTED], Mr. Morgan received an \$800 reimbursement that was only supported by a voucher that identified the union business purpose as training by "D2." No additional documentation was maintained to determine the actual expenses that Mr. Morgan was reimbursed for.

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.

During the exit interview, I provided the compliance tip sheets, *Authorization and Documentation of Expenditures* and *Reimbursed Travel Expense Payments*, both of which contain additional information on this topic.

4. Fixed Assets

The LM-3 filed by Local 2-2659 for 2017 reported fixed assets totaling \$218,221 at the beginning and end of the audit year (Items 29 (A) (Fixed Assets, Start of Reporting Period) and 29 (B) (Fixed Assets, End of Reporting Period)); however, Local 2-2659 failed to retain any records to verify the accuracy of those figures. During the audit, Ms. Mendis advised that she has only been reporting the same figures for the value of the building and land in Item 29 for several years and has never included the value of any additional assets owned by the local, such as furniture or equipment. Ms. Mendis further advised that Local 2-2659 does not maintain a written inventory of fixed assets.

In the case of fixed assets, the union must maintain a written or electronic inventory or other similar record identifying each fixed asset and the cost and depreciation of each fixed asset. Such records are required to be retained to verify, clarify, and support information required to be reported in Item 29 of the LM-3 Report.

5. Items Given Away

During the audit year, Local 2-2659 purchased union designated flags and T-shirts totaling at least \$1,200. During the audit, you advised that the union subsequently gave away the flags to members at the Jackson, MI plant and the T-shirts to members at the 2017 Labor Day Parade. Local 2-2659 did not maintain adequate records to show that those items were given away or the identity of the members that received these items.

The Union must report the value of any property on hand at the beginning and end of the year in Item 30 (Other Assets). 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. 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.

Based on your assurance Local 2-2659 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 2-2659 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Fixed Assets

Local 2-2659 did not properly report the value of their fixed assets in Items 29(A) (Fixed Assets, Start of Reporting Period) and 29(B) (Fixed Assets, End of Reporting Period) of Statement A (Assets and Liabilities). As mentioned above, Ms. Mendis confirmed that she has been reporting the same value for the land and building owned by the local in the figures reported in Item 29, but failed to include the book value (cost less depreciation) for the local's additional assets, including furniture and equipment.

Local 2-2659 must report the value of all their fixed assets including land, buildings, office furniture, and equipment owned by the union at the beginning and end of the reporting period in Item 29(A) and Item 29(B) of the LM-3 Report. The book value of fixed assets is cost less depreciation.

2. Failure to Properly Report an Investment Account

The audit revealed that Local 2-2659 held an investment portfolio with Fidelity Investments that had a book value of \$96,814.87 as of January 1, 2017. However, Local 2-2659 failed to report the value of this investment in Item 28(A) (Investments, Start of Reporting Period) of Statement A, and instead erroneously reported the investment account as cash in Item 25(A) (Cash, Start of Reporting Period).

In addition, Local 2-2659 liquidated the investment account and received \$97,056.90 from Fidelity in August 2017, which was subsequently deposited to the local's checking account. Local 2-2659 failed to report the receipt in Item 42 (Sale of Investments and Fixed Assets) or any other line item of Statement B (Receipts and Disbursements).

For LM reporting purposes, funds that are to be reported as cash include funds available in banking accounts such as checking accounts, savings accounts, money markets and certificates of deposit. An investment portfolio is not considered cash and should have been reported as an investment in Items 28. The book value of the investment is the lower of the cost or market value. In addition, Local 2-2659 must report the receipts from the sale of investments in Item 42 (Sale of Investments and Fixed Assets).

3. 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 gave away flags and t-shirts totaling at least \$1,200 during the year. The union must identify the type and value of any property received or given away in Item 56 (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,

and can describe the recipients by broad categories such as “members” or “new retirees”, if appropriate. In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

4. 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. Local 2-2659 amended its constitution and bylaws in 2012, but did not file a copy with its LM report for that year.

Local 2-2659 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 2-2659 file an amended LM report for 2017 to correct the deficient items, but Local 2-2659 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Lack of Authorization for Disbursements

Local 2-2659 did not maintain adequate records to confirm that several checks issued by the local for large and non-routine disbursements were properly authorized. During the organizational interview, you and Ms. Mendis advised OLMS that Local 2-2659’s membership authorizes all “non-standard” and large disbursements at membership meetings. Article V, Section 6(c) of the Local 2-2659 by laws requires that “all money paid out by the local union from its treasury must be approved by the members at a local union meeting. Under no circumstances shall Officers or members pay bills without authorization by a local union meeting.”

The audit found many examples of “non-standard” and/or large disbursements that do not have appear to have been properly authorized and approved by the membership at a meeting. The membership meeting minutes do not contain any references to the authorization or approval for the following disbursements:

- On March 29, 2017, Local 2-2659 disbursed \$600 to Gus and Us Restaurant for a “lunch for Mill Steel.”
- By way of checks [REDACTED] and [REDACTED], Local 2-2659 reimbursed four of its officers at least \$5,200 to attend the USW International Convention at the MGM Grand Hotel and Casino in Las Vegas, NV during the period April 9 through April 13, 2017.
- On July 15, 2017, Local 2-2659 disbursed \$440 to Downriver Chapter of Credit Union

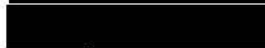
for a golf outing.

- On November 11, 2017, Local 2-2659 disbursed \$200 to Downriver Prayer Breakfast for the 13th Annual Prayer Breakfast.

During the exit interview, you and Ms. Blade advised that obtaining authorization and approval for expenses at membership meetings has been difficult due to lack of attendance; therefore, the union has adopted an informal and unwritten practice of obtaining a blanket approval from the membership for all expenses. This practice appears to be inconsistent with Article V, Section 6(c) of the union's bylaws. OLMS recommends that unions adopt written guidelines concerning such matters to help ensure effective internal controls and safeguard of union assets. OLMS recommends that Local 2-2659 reviews its current policy and make the necessary changes to the policy to reflect the current practice with regard to authorization of "non-standard" and/or large disbursements.

I want to extend my personal appreciation to Steelworkers Local 2-2659 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. Bill Grias, President
Ms. Dina Mendis, Financial Secretary
Ms. Karen Blade, Treasurer
Mr. Albert Bayne, Recording Secretary
Mr. Edwin Nedd, Vice President