



February 22, 2019

Mr. Michael Schanks, President
Steelworkers, AFL-CIO, Local 418
8839 96th Street South
Cottage Grove, MN 55016

Case Number: 320-6014229
LM Number: 034834

Dear Mr. Schanks:

This office has recently completed an audit of Steelworkers Local 418 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 John Helkamp on December 13, 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 418's 2017 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 418 did not retain adequate documentation for credit card expenses incurred by union officers totaling at least \$3,334. For example, a \$98 charge was made at the United States Post Office on May 18, 2017. Union records indicate that this charge was made to

purchase postage; however, no supporting documentation was maintained for this expense, which is not sufficient.

Additionally, Local 418's records of credit card expenses did not always include adequate explanations of the union business conducted for charges totaling at least \$3,600. For example, a \$201 charge was made at Carbone's Pizzeria on October 17, 2017. The union documented the business purpose for the charge as "Education," which is not sufficient because "Education" does not fully describe the nature of the union business conducted.

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.

2. Failure to Maintain Dues Receipt Records

During the audit year, Local 418 received 31 dues payments totaling \$144,400.60 from the United Steelworkers International Union. For each dues payment received, Local 418 received a corresponding dues statement; however, the union did not retain at least 18 statements for payments it received from the United Steelworkers. As a general rule, all types of records created or used in the normal course of doing union business must be maintained by the union for five years.

Based on your assurance that Local 418 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

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-3 filed by Local 418 for the fiscal year ended December 31, 2017 was deficient in the following area:

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 gift cards totaling more than \$675 to members during the year. 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." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

I am not requiring that Local 418 file an amended LM report for 2017 to correct the deficient item, but Local 418 has agreed to properly report the deficient item on all future reports it files with OLMS.

Other Issue

Overpayments of Lost Wages

A comparison of the lost wage claims submitted by Vice President Thomas Parenteau during the audit year with payroll records received from his employer revealed that Mr. Parenteau was overpaid lost wages totaling \$99.50 during the audit year. On one occasion, Mr. Parenteau's lost wage voucher showed the correct amount of wages lost; however, he was accidentally paid an additional two hours of lost wages. On another occasion, Mr. Parenteau lost 8 hours of wages, but submitted a voucher for 9.5 hours of lost wages. At the exit interview, Mr. Helkamp advised that the executive board will review the lost time claims submitted by Mr. Parenteau and then determine the appropriate actions to take. On January 28, 2019, Mr. Helkamp advised that the executive board had discussed this issue and voted to not require Mr. Parenteau to repay the \$99.50 overpayment.

OLMS recommends that unions: (1) adopt a clear policy on lost wages; (2) establish what documentation is needed for an official to be reimbursed; and (3) establish a procedure that provides for review and approval of lost wage claims. Careful review of expense forms 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 418 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. John Helkamp, Financial Secretary