



April 15, 2019

Mr. Shawn Crowley, President
Steelworkers, AFL-CIO
Local 8339
3700 Ann Arbor Rd
Jackson, MI 49202

Case Number: 320-6014791 [REDACTED]
LM Number: 505630

Dear Mr. Crowley:

This office has recently completed an audit of Steelworkers Local 8339 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 David Horton, and Treasurer Brian Casto on March 25, 2019, 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 8339's 2017 records revealed the following recordkeeping violations:

1. Lack of Authorization for Officer's Salaries

Local 8339 did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) of the LM-3 were the authorized amounts and

therefore were correctly reported. During the opening interview, Mr. Horton and Mr. Casto provided a handwritten document with Local 8339 officer and employee positions and their salaries. They advised that salaries were approved by Local 8339's membership years ago; however, authorization for these salaries could not be identified in Local 8339's meeting minutes or any other union record. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

During the audit, Mr. Horton provided OLMS a copy of Local 8339's meeting minutes from the January 8, 2019 membership meeting in which the union officers discussed authorization for the executive board officer's salaries.

2. Lack of Authorization for Officer's Cell Phones

During the audit opening interview, Mr. Horton and Mr. Casto advised that the president's cell phone usage is paid by the local. However, the audit revealed that Local 8339 provided you, Mr. Horton, Mr. Casto, former Treasurer David Eubanks, and Recording Secretary Thomas Zawacki with a Sprint cell phone, and the local pays the monthly cell phone bill. Mr. Horton advised that authorization for all officer's cell phones and related monthly expenses was most likely included in Local 8339's meeting minutes; however, authorization for cell phone expenses could not be identified in Local 8339's meeting minutes or in any other union records.

The union must keep a record, such as meeting minutes or by-laws to show officer's cell phone expenses are authorized by the entity or individual in the union with the authority to establish expenses.

3. Fixed Assets

The LM-3 filed by Local 8339 for 2017 reported fixed assets totaling \$6,833 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 8339 failed to retain any records to verify the accuracy of those figures. During the audit, Mr. Horton advised that he reported the same figures for the value of the office furniture and miscellaneous office equipment in Item 29 for several years, and he was not aware that he should include any additional assets purchased by the local, such as new laptops or additional equipment. Mr. Horton further advised that Local 8339 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.

4. Disposition of Property

The audit revealed that Local 8339 purchased CINTAS safety glasses, Visa gift cards, WSE prizes, and t-shirts totaling at least \$3,280 that it gave away at various events throughout 2017. However, Local 8339 did not maintain adequate records that identified the recipients of the items given away. Records must be maintained which account for all union property. In the case of gift cards or other items sold or given away to members, records must be maintained to clarify and support information required to be reported by Local 8339 in Statements A and B of the Labor Organization Annual Report (Form LM-3). The value of any gift cards or similar property on hand at the beginning and end of the year should be reported in Item 30 (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 LM-3 report with the identity of the recipient(s) or donor of such property.

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.

5. Reimbursed Auto Expenses

You, Mr. Horton, and Mr. Eubanks received reimbursement for the business use of your personal vehicles, but you did not retain adequate documentation to support payments totaling at least \$580. Claims for mileage were documented on the USW issued vouchers, but many of the vouchers were missing the union business conducted, the locations traveled to and from, the date of the travel, and/or the number of miles driven.

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.

Based on your assurance that Local 8339 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 8339 for the fiscal year ended (FYE) December 31, 2017, 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 gave away safety glasses, gift cards, prizes, and T-shirts totaling at least \$3,280 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.

2. Fixed Assets

Local 8339 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, Mr. Horton confirmed that he has been reporting the same value for the office furniture and equipment 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 laptops and equipment.

Local 8339 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.

I am not requiring that Local 8339 file an amended LM report for 2017 to correct the deficient items, but Local 8339 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Lost Time Policy

During the opening interview, Mr. Horton and Mr. Casto stated that officers and members are entitled to claim lost time from their employer to conduct union business. The audit revealed that USW Local 8339 disbursed funds totaling at least \$31,600 to officers and employees in 2017 for the reimbursement of lost time that officers and employees took off from work to conduct union business. At least \$10,088 of those wages were paid at an overtime rate to you, Mr. Horton, Mr. Casto, and Trustee Charles Crowley for hours that each of you did not appear to lose overtime from work. During the audit, you and Mr. Casto advised that the local pays lost overtime wages to any person taking leave from work to conduct union business and will pay lost time at an overtime rate if the officer or employee misses an opportunity to work hours towards their base of the 40-hour work week. However, Local 8339 does not have written policies that document its lost time reimbursement policies.

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish best practices for administering lost time payments. OLMS recommends that unions (1) adopt clear policies and procedures for making lost time or similar payments and (2) use vouchers that require detailed information to support lost time payments. These practices will allow the union to properly report lost time payments and travel expense on the Labor Organization Annual Report, Forms LM-2, LM-3, or LM-4.

OLMS recommends that union policies and procedures for lost wages, including the payment of lost overtime, be reduced to writing and added to your union's bylaws. This can be satisfied by drafting and authorizing a written lost time policy (compliance tip provided) and/or discussing the current lost time practice at an executive board or membership meeting, or discussed where they can be supported by entries in the meeting minutes and having the membership approve the specifics of the lost time policy, especially in regards to the payment of lost overtime. Once established, it is important that your union consistently follow its procedures for handling payments for lost time and other expenses.

2. Overpayment of a Reimbursed Expense

A review of Local 8339's records revealed that Mr. Horton traveled to the MGM Grand Hotel and Casino in Las Vegas, NV for the USW Convention during April 2017, and he paid for two room deposits of \$164.40 each, totaling \$328.80, with his personal credit card in January 2017. Local 8339's records show that Mr. Horton received a \$328.80 reimbursement in February and again in March 2017 for a total of \$657.60 for the room deposits. However, the receipts retained by Local 8339 show the room deposit expense was \$328.80. At the exit interview, you, Mr. Horton, and Mr. Casto advised that the overpayment was most likely due to an honest error and Mr. Horton agreed to reimburse Local 8339 for any overpayment he may have received. On April 2, 2019 Mr. Horton provided a copy of a deposit receipt in the amount of \$330 to Local 8339's main checking account.

OLMS recommends a careful review of expense vouchers as this can help ensure adequate internal controls and safeguard union assets.

I want to extend my personal appreciation to Steelworkers Local 8339 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,

A black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Mr. David Horton, Financial Secretary
Mr. Brian Casto, Treasurer