



July 8, 2019

Mr. William Wilkinson, President
United Steelworkers Local 560
P.O. Box 157
Gwinner, ND 58040

Case Number: 320-6014792 [REDACTED]
LM Number: 068298

Dear Mr. Wilkinson:

This office has recently completed an audit of United Steelworkers Local 560 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 Treasurer Ericka Davis on May 6, 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 560's 2017 records revealed the following recordkeeping violations:

1. Disposition of Property

During the audit year, Local 560 sold hats and t-shirts to its members, and gave away t-shirts to members who are military veterans. The union did not maintain an inventory of hats and t-shirts it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 (Other Assets) of

the LM-2. 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 28. The union must record in at least one record the date and amount received from each sale of union hats, jackets, and other items.

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.

2. Failure to Maintain Dues Receipt Records

During the audit year, Local 560 received 34 dues payments totaling at least \$305,826.34 from the United Steelworkers International Union. For each dues payment received, Local 560 received a corresponding dues statement; however, the union did not retain at least 12 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.

3. Meal Expenses

Local 560 did not require officers to submit itemized receipts for meal expenses totaling at least \$209. For example, Ms. Davis received a \$117.74 reimbursement for the purchase of a meal at the AFL-CIO Conference on June 14, 2017. A credit card charge slip was maintained, but the union failed to maintain an itemized receipt. The union must maintain itemized receipts provided by restaurants to officers and employees. 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.

The audit also revealed that Local 560 records of meal expenses totaling at least \$808 did not always include the names and titles of the persons incurring the restaurant charges. For example, former President Travis Swanson received a \$398.54 reimbursement for the purchase of a meal for organizing on September 20, 2017. A credit card charge slip was maintained for this expense, but the receipt did not include the full names and titles of those present. Union 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.

4. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$873 during 2017. For example, Mr. Swanson received a \$90.95 reimbursement on August 5, 2017 for mileage; however, a specific union purpose was not recorded for the reimbursement. 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.

5. General Reimbursed Expenses

Local 560 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$859. For example, Vice President Dan Jackson was reimbursed \$121.74 on October 13, 2017 for the purchase of supplies for a parade; however, no supporting documentation was maintained by Local 560 for this reimbursement, which is not sufficient.

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.

Based on your assurance that Local 560 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-2 filed by Local 560 for the fiscal year ended December 31, 2017, was deficient in the following area:

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?) was answered, "Yes," because the union gave away door prizes at union meetings and t-shirts to members who are military veterans; however, the union did not identify the type and value of the property given away in the additional information section of the LM report. 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 560 file an amended LM report for 2017 to correct the deficient item, but Local 560 has agreed to properly report the deficient item on all future reports it files with OLMS.

Other Issue

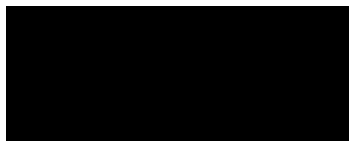
Overpayments of Lost Wages

A comparison of the lost wage claims submitted by Mr. Swanson and Guide Larry Johnson during the audit year with payroll records received from their employer revealed that Mr. Johnson was overpaid lost wages totaling \$529 during the audit year, and Mr. Swanson was overpaid wages totaling \$180. On one occasion, Mr. Swanson lost 5.58 hours of wages, but submitted a voucher for 8 hours of lost wages. On another occasion, Mr. Swanson received lost wage reimbursement of 8 hours, but did not actually lose any wages. Mr. Johnson received lost wage reimbursements for the same dates on two different vouchers. At the exit interview, Ms. Davis advised that the overpayments were an oversight and that the executive board will review the lost time claims submitted by Mr. Johnson and Mr. Swanson and then determine the appropriate actions to take. On July 8, 2019, Ms. Davis advised that the executive board had discussed this issue and determined that Mr. Swanson and Mr. Johnson will be required to repay the overpayments.

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 United Steelworkers Local 560 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: Ms. Ericka Davis, Treasurer