



September 26, 2019

Mr. Daniel Hill, President
Steelworkers, AFL-CIO, Local 6860
P.O. Box 687
Eveleth, MN 55737

Case Number: 320-6015162
LM Number: 062968

Dear Mr. Hill:

This office has recently completed an audit of Steelworkers Local 6860 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 Kristopher Kuhlmeier on September 24, 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 6860's 2017 records revealed the following recordkeeping violations:

1. Lack of Salary Authorization

Local 6860 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and, therefore, were correctly reported. The union's financial policy, dated June 20, 1997, authorizes officer salaries; however, the salaries for the positions of president and treasurer

have been increased since this policy was written. Local 6860 did not maintain records that show these salary increases were properly authorized. 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.

2. Disposition of Property

During the audit year, Local 6860 sold t-shirts to its members, and gave away t-shirts to new members. The union did not maintain an inventory of t-shirts it purchased, sold, or gave away. During the exit interview, Mr. Kuhlmeier stated that the union has begun maintaining an inventory of these items. 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-3. 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 t-shirts 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.

3. 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 \$311 during 2017. For example, Treasurer Gary Butala received a \$94.50 reimbursement on April 18, 2017 for mileage; however, the location traveled to could not be determined. 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.

4. Credit Card Expenses

Local 6860 did not retain adequate documentation for credit card expenses incurred by union officers totaling at least \$3,024. For example, former President Brian Zarn charged \$1,489.30 to his union credit card on April 14, 2017 for two hotel rooms at the MGM Grand Hotel in Las Vegas, Nevada; however, no supporting documentation was maintained by Local 6860 for this charge, 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.

5. Disbursements to Vendors

Local 6860 did not retain adequate documentation for disbursements to vendors totaling at least \$6,400. For example, the union made a \$2,500 payment to V-Town Chop Shop on June 21, 2017 for the purchase of t-shirts. The union did not maintain any documentation in support of this disbursement, which is insufficient.

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 6860 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 LM-3 filed by Local 6860 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Disbursements to Officers

Local 6860 did not include some reimbursements to officers totaling at least \$111,027 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements). During the audit year, union officers who took time off work to conduct union business continued to receive their wages from their employer, United Taconite. United Taconite submitted invoices to Local 6860 for reimbursement of these wages, which Local 6860 subsequently reimbursed to United Taconite. Local 6860 failed to report these indirect payments to officers in Item 24. For example, during the audit year Local 6860 made payments of at least \$32,790 to United Taconite for wages paid to former President Brian Zarn while conducting union business; however, Local 6860 only reported total payments to Mr. Zarn of \$3,012 in Column D (Gross Salary) of Item 24. As another example, Local 6860 made payments of at least \$6,270 to United Taconite for wages that were paid to Mr. Butala for conducting union business; however, Local 6860 only reported total payments to Mr. Butala of \$1,780 in Column D of Item 24. These payments constitute indirect disbursements and should have been reported in Item 24, but were erroneously reported in Item 54.

The union must report most direct disbursements to Local 6860 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or

other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any goods or property in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away t-shirts to members. 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.

3. Netting Receipt and Disbursement Transactions

During the audit year Local 6860 held 50/50 raffles at its general membership meetings. Local 6860 received a total of \$718 for the raffle and disbursed \$359 to the winners of the raffle. During the exit interview, Mr. Kuhlmeier advised that the receipts for the raffle and the disbursements to the winners of the raffle were "netted" and as a result, Local 6860 only reported \$359 in receipts in Statement B (Receipts and Disbursements).

As discussed during the exit interview, the purpose of Statement B (Receipts and Disbursements) is to report the flow of cash in and out of your organization during the reporting period. Since Statement B reports all cash flowing in and out of your organization, "netting" is not permitted. All of the money received from members for the 50/50 raffle should have been reported in Item 43 (Other Receipts). All of the money disbursed to members that won the 50/50 raffle should have been reported in Item 48 (Office and Administrative Expense). OLMS also recommends that in future 50/50 raffles, Local 6860 deposits the total amount of the raffle proceeds and write checks to the raffle winners.

I am not requiring that Local 6860 file an amended LM report for 2017 to correct the deficient items, but Local 6860 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Per Diem Policy

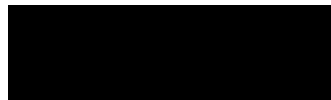
The audit revealed that Local 6860 has no written policy regarding the payment of per diem to union officers and employees. During the opening interview, Financial Secretary Kuhlmeier stated that Local 6860 authorizes officers to receive a daily per diem of \$65 when overnight travel is required, \$36.50 when traveling without an overnight stay, and \$12 per meal when traveling for a partial day. Local 6860 routinely reimbursed officers \$12 for meals for partial day travel; however, the union's financial policy authorizes a meal reimbursement of \$7.50 for a partial day of work. During the exit interview, Mr. Kuhlmeier stated that the meal reimbursement had been increased to \$12, but he was unable to provide written authorization for the increase.

To ensure proper internal financial controls over union disbursements, OLMS recommends that each union: (1) adopt a clear policy on reimbursed travel expenses; (2) establish what documentation is needed for an official or member to be reimbursed; and (3) establish a procedure that provides for approval of travel expense claims.

OLMS recommends that union policies and procedures for expenses be reduced to writing and added to your union's bylaws or discussed at an executive board or membership meeting where they can be supported by entries in the meeting minutes. Once established, it is important that your union consistently follow its procedures for handling payments for expenses.

I want to extend my personal appreciation to Steelworkers Local 6860 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. Kristopher Kuhlmeier, Financial Secretary
Mr. Gary Butala, Treasurer