



January 14, 2020

Mr. James McCombs, President  
Steelworkers, AFL-CIO, Local 42

Case Number: 320-6017306  
LM Number: 041729

Dear Mr. McCombs:

This office has recently completed an audit of Steelworkers Local 42 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, Treasurer Jeff Knutson, Recording Secretary Todd Berg, Financial Secretary Trent Johnson, and Trustee Steve Shilling on December 19, 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 42's 2018 records revealed the following recordkeeping violations:

#### 1. General Reimbursed and Credit Card Expenses

Local 42 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers totaling at least \$660. For example, adequate supporting documentation was not retained for a \$206.16 charge made at Office Max on

April 17, 2018 for office supplies. In support of this expense, Local 42 only retained a credit card statement, 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.

2. Lack of Salary Authorization

Local 42 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 correctly reported.

During the opening interview, Mr. Knutson stated that union officer salaries were authorized in the local's bylaws. Article VIII of the local bylaws authorizes monthly salaries for the president, vice president, recording secretary, financial secretary, treasurer, and chief steward; however, during the audit year, you, Mr. Knutson, Mr. Berg, Mr. Johnson, Vice President Michael Christianson, and Chief Steward Terry Geissler each received a yearly salary payment in addition to your monthly salary payments. Mr. Knutson advised that these yearly salary payments are part of the normal salary that officers have regularly received in the past. Authorization for these yearly salary payments could not be identified in Local 42's minutes, bylaws, or any other union records. The union must keep a record, such as meeting minutes, to show the current salaries as authorized by the entity or individual in the union with the authority to establish salaries.

3. Failure to Maintain Receipt Records

The audit revealed that Local 42 did not retain statements for six vending machine commission payments totaling \$1,554.48 that it received from Canteen Vending during the audit year. As previously noted, 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.

Based on your assurance that Local 42 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 42 for the fiscal year ended December 31, 2018, was deficient in the following area:

#### Disbursements to Officers

Local 42 did not include reimbursements to Mr. Christianson totaling at least \$162 in the amounts reported in Item 24, Column E (Allowances and Other Disbursements). Local 42's disbursements records indicate that Mr. Christianson received reimbursed expenses totaling \$162; however, the total amount reported in Column E of Item 24 for Mr. Christianson was \$0. It appears that Local 42 erroneously reported Mr. Christianson's reimbursed expenses in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 42 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).

I am not requiring that Local 42 file an amended LM report for 2018 to correct the deficient item, but Local 42 has agreed to properly report the deficient item on all future reports it files with OLMS.

#### Other Issue

#### Retirement Payments

As I discussed during the exit interview, the audit revealed that Local 42 does not have clear policies regarding the \$150 payments members receive when they retire. For example, during the audit year Local 42 disbursed a total of \$450 to members that retired. Local 42's bylaws do not contain specific provisions regarding the authorization of such disbursements and the policies for these disbursements could not be identified in any other union records. OLMS recommends that Local 42 adopt written guidelines concerning such matters to help ensure effective internal controls and safeguard union assets. At the exit interview, you advised that the union will discuss authorization for these payments and either add an authorization to its bylaws or ensure that each future instance is properly documented in the meeting minutes.

I want to extend my personal appreciation to Steelworkers Local 42 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 large black rectangular redaction box covering the signature area.A smaller black rectangular redaction box covering the name of the investigator.

Investigator

cc: Mr. Jeffery Knutson, Treasurer  
Mr. Todd Berg, Recording Secretary  
Mr. Trent Johnson, Financial Secretary  
Mr. Steve Shilling, Trustee