



February 11, 2011

Mr. Jason Luebke, President
Steelworkers Local 2-201
9513 Center Road
Neenah, WI 54956

Case Number: [REDACTED]
LM Number: 034118

Dear Mr. Luebke:

This office has recently completed an audit of Steelworkers Local 2-201 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 Richard Klesmit, Financial Secretary Dave Amond, and Trustee Les Simon today, 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 2-201's 2008 and 2009 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 2-201 did not retain adequate documentation for reimbursed expenses incurred by officers totaling at least \$2,700. Officers typically prepared expense vouchers that identified the date, type, and amount of each expense incurred. However, in some instances, receipts and other supporting documentation were not retained to support the expenses claimed. As an example, Former President David Mix was reimbursed at least \$1,000 for expenses related to the January 2008 holiday party, but no receipts or other documentation was retained that specifically identifies the expenses he incurred.

As other examples, at least \$1,300 was disbursed to you, Mr. Mix, and Treasurer Richard Klesmit for per diem related to attending conferences and conventions, but adequate records were not retained. The only records retained were vouchers that did not identify the per diem rate paid. In the case of per diem payments to officers for travel on union business, Local 02-201 must maintain records which identify the business purpose of each trip, the dates of travel, the destination, and the per diem rate paid. During the exit interview, I provided a compliance tip sheet, *Reimbursed Travel Expense Payments*, which contained a sample of an expense voucher Local 2-201 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for officer expenses.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Direct Disbursements to Vendors

Adequate documentation was not retained for some disbursements for fixed assets, gift cards, meeting expenses, and other checks issued directly to vendors for various items, totaling at least \$1,200. Local 2-201 only maintained vouchers and check stubs in support of these disbursements, and no other documentation. For example, a voucher and check stub indicate that Local 2-201 paid \$972.23 to Best Buy to purchase a computer, printer, and accessories. However, the receipt for the expense was not retained. Vouchers and check stubs alone are not sufficient to meet the recordkeeping requirement. As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements.

3. Receipt Dates and Sources not Recorded & Dues Payment Reports

Entries in Local 2-201's general ledger do not identify the date money was received or the sources of the payments. The source is often listed as "deposit" or the financial secretary's name. Receipts records must show the date, amount, and source of all receipts. Further, Treasurer Klesmit advised that Local 2-201 failed to retain dues payment reports provided by the Steelworkers International Union, which would have identified the date, source and amount of most of the payments received. The date of receipt is required to be recorded in union records to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state

that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in reporting some receipts on the LM-3 for a different year than the year it actually received them.

4. Meeting Minutes

Local 2-201 failed to retain all meeting minutes created during at least 2008 and 2009. During the audit, you and Treasurer Klesmit advised OLMS that it is the policy of Local 2-201 to have all disbursements approved at the monthly membership meetings. You also advised that authorization and approval of all disbursements are recorded in the meeting minutes. Klesmit advised Record Secretary Diane Sawyer created the minutes, but that she recently lost them when she moved residences. In the case of Local 2-201 records including meeting minutes, that clarify, verify, and support information required to be reported on Form LM-3 must be retained.

Based on your assurance that Local 2-201 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 2-201 for the fiscal year ended December 31, 2009, 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 Local 2-201 gave away gift cards and union logo blankets totaling more than \$3,200 during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

2. Disbursements to Officers

Local 2-201 failed to correctly report lost wages paid to officers in Column D (Gross Salary Disbursements) of Item 24 (All Officers and Disbursements to Officers) totaling at least \$13,000. For example, the general ledger shows that you received \$3,852 in gross salary and lost wages during 2009. However, only \$654 is reported in Column D. The LM instructions state that disbursements for lost time or time devoted to union activities must be reported in Column D. It appears these lost time payments were erroneously reported in Column E (Allowance and Other Disbursements) of Item 24 because the total amounts paid

for salaries, lost wages, and other payments for personal time worked on union business equal the total amounts reported in columns D and E for each officer.

In addition, Local 2-201 did not include reimbursements to officers for expenses totaling at least \$3,000 in the amounts reported in Column E of Item 24. Local 2-201's general ledger indicates that at least five officers received expense payments totaling \$3,000. However, because the total amounts paid to officers and employees for salaries, lost wages, and personal time equal the total amounts reported in Columns D and E of Item 24, it appears that the payments for reimbursed expenses were erroneously reported in Item 48 (Office & Administration Expense and Item 54 (Other Disbursements).

Most direct disbursements to Local 2-201 officers and some indirect disbursements made on behalf of its officers must be reported 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).

3. Statement A (Cash Balances)

Local 2-201 incorrectly underreported the cash balances at the beginning and end of the reporting period in Item 25 (Cash). Local 2-201's beginning cash balance is \$49,114. However, only \$42,647 is reported in Item 25A (Cash – Start of the Reporting Period). Local 2-201's check register indicates the ending cash balance is \$45,085, but only \$39,294 is reported in Item 25B (Cash – End of the Reporting Period). The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements. You advised that you believed you were using the bank balances reconciled to the book but must have been mistaken.

I am not requiring that Local 2-201 file an amended LM report for 2009 to correct the deficient items, but Local 2-201 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Shift Differential, Lost Wages for Overtime Hours, and Paid Personal Time

Article X, Section 2, of Local 2-201's bylaws states, "Should this Local Union require any of its members to transact union business necessitating lost time, such member shall be paid his or her regular individual average for actual schedule hours on his or her bid job. There will be no overtime or shift differential paid." You and Treasurer Klesmit advised that all lost wage

requests are approved by the membership. Mr. Klesmit fills out lost wage vouchers for all officers which identifies each date lost wages were incurred, the number of hours lost on each date, and a description of the union business conducted. Lost time claims are not checked against employer records by any officers.

Review of lost time vouchers revealed that in some instances a shift differential was paid to officers of Local 2-201. In addition, while Local 2-201 did not pay officers an overtime rate, you were sometimes reimbursed for more than eight hours in one day. You advised that it is the policy of the union to reimburse officers scheduled lost overtime hours at the straight the time rate and this has been your practice for many years.

In addition, you advised at the beginning of the audit that officers were not entitled to lost wages for union work performed during periods that they were on employer paid leave (e.g. vacation, sick leave). However, the audit revealed that in 2008, Treasurer Klesmit and former President David Mix received payment for time spent performing union business while on "sick and accident" leave. As an example, on March 27-28, 2008, Mr. Klesmit attended a USW District 2 Conference. Local 2-201 vouchers show Mr. Klesmit was reimbursed for 16 hours of wages "less \$150 for SA/\$75 per day). Menasha Packaging Company's payroll records show for the same dates that Mr. Klesmit received pay from the company for those dates of \$75 per day under the company's sick and accident leave policy. You and Mr. Klesmit advised that it is the policy of Local 2-201 to pay officers who perform union work during their normal working hours on dates that they are on sick and accident leave from the company their normal hourly wage for all hours worked less \$75 per day (to adjust for the amounts paid to them by Menasha Packaging).

The provision for pay for lost personal time described by you and Mr. Klesmit is not recorded in Local 2-201's bylaws or any other record and is an unwritten policy that the local has been operating under for many years. OLMS recommends Local 2-201 adopt written guidelines for reimbursement of lost wages and compensation for lost personal time as such policies can help ensure effective control over union finances. In addition, verification of lost time claims submitted by union personnel by either allowing trustees to compare lost time claims to employer records or by requiring union personnel to submit proof of lost wages claimed (for example time cards) can be an effective internal control for such payments.

I want to extend my personal appreciation to Steelworkers Local 2-201 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. Richard Klesmit, Treasurer

Mr. Dave Amond, Financial Secretary