

**U.S. Department of Labor**

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September 23, 2010

Kevin Wright, President  
Steelworkers, AFL-CIO  
Local 2-51  
5440 Maitland Road  
North Street, MI 48049

Case Number: [REDACTED]  
LM Number: 504583

Dear Mr. Wright:

This office has recently completed an audit of Steelworkers (USWA) Local 2-51 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 and Financial Secretary-Treasurer Lesa Cowper on July 14, 2010, 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 2-51's 2009 records revealed the following recordkeeping violations:

1. Lost Time and "Time Spent" Payments

Local 2-51 did not retain adequate documentation for lost time and "time spent" payments to union officers and employees totaling at least \$11,248. The union must maintain records in support of lost time and "time spent" claims that identify the dates and times (e.g., 8:00 a.m. to 4:00 p.m.) that lost time and "time spent" were incurred, the number of hours lost or spent on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 2-51 did not require claims submitted by officers and employees to list the times that lost time and "time spent" were incurred.

2. General Reimbursed Officer Expenses

Local 2-51 did not retain adequate documentation for reimbursed expenses incurred by Ms. Cowper totaling \$315 for the purchase of Steelworkers t-shirts and for hats and gloves donated to the VFW at Christmas. Merchant bills for the purchase of the goods and a donation receipt were either not obtained or retained. As previously noted, the 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.

3. Travel Expenses

Local 2-51 failed to retain adequate documentation for your trip to Marysville, IN, for a Steelworkers "Train the Trainers" conference. The union reimbursed you \$756.25 for travel expenses, but no receipts documenting the expenses or the call letter were found. As previously noted, 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.

4. Meal Expenses

Local 2-51 records of \$177 in meal expenses incurred by you did not include written explanations of union business conducted or, in certain instances, the names and titles of the persons incurring the restaurant charges. 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.

5. Disposition of Property

The audit disclosed that Local 2-51 gave away bibles, t-shirts, and gift certificates to some union members during the audit period, as well as donated hats and gloves to the VFW at Christmas. The local failed to maintain adequate records to account for the property. The detail of records required to be maintained for items given away is dependent upon the manner in which the property is distributed. In the case of one-time distributions, like the gift certificates or the hats and gloves, the union can most easily satisfy the recordkeeping requirement by attaching a list of the names of individuals who receive the items, or in the latter case, by obtaining a receipt from the donee. In the case of items frequently distributed, like the t-shirts and bibles given away, the union can meet the recordkeeping requirement by maintaining an inventory and requiring union personnel who distribute the items to record on the inventory the date and quantity taken from supplies on hand. The inventory or similar record can also be used to support the value of union property on hand at the beginning and end of each year that must be reported in Item 30 (Other Assets) of the LM-3.

6. Receipts Dates Not Recorded

Entries in Local 2-51's receipts journal reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required 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 resulted in the union reporting some receipts for a different year than when it actually received them.

7. Fixed Assets

The LM-3 instructions for Item 29 (Fixed Assets) define the book value of fixed assets as "cost less depreciation." Local 2-51 reported \$0 in Item 29 of the LM-3 covering the audit period, thereby representing that it has fully depreciated all of its fixed assets, including a computer, a printer, and a Blackberry cell phone. The union, however, failed to maintain any records needed to verify the amount reported. Local 2-51 must maintain records that document the cost (or other) basis of its fixed assets (e.g., purchase receipts, bills, invoices, etc.), as well as depreciation schedules or other similar records.

Based on your assurance that Local 2-51 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(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when constitution or bylaw changes are made. Local 2-51 amended its constitution and bylaws in 2003, but a copy was not filed with its LM report for that year. A copy of Local 2-51's constitution and bylaws has now been filed with OLMS.

The audit also disclosed a violation of LMRDA Section 201(b), which requires the president and treasurer, or corresponding principal officers, of each labor organization to file an annual financial report accurately disclosing the union's financial condition and operations. The report must be filed within 90 days after the end of the labor organization's fiscal year. As Local 2-51's fiscal year ends on December 31, it must file its annual financial report by March 31 of each year (or by March 30 in leap year). Local 2-51 filed its Form LM-3 for the fiscal year ended December 31, 2009, on April 8, 2010. Furthermore, Local 2-51's LM reports have been delinquent for the previous two fiscal years. The law does not authorize OLMS to grant an extension of time for filing reports. At the exit interview, you agreed that Local 2-51 will file all future reports with OLMS in a timely manner.

The audit disclosed additional violations of LMRDA Section 201(b), in that the Labor Organization Annual Report, Form LM-3, filed by Local 2-51 for the fiscal year ended December 31, 2009, was deficient in the following areas:

1. Disbursements to Officers

Local 2-51 misreported salary and expense reimbursement payments to you and Ms. Cowper in Item 24 (All Officers and Disbursements to Officers). The union must report in Column (D) the gross salary paid to officers (before tax withholdings and other payroll deductions), including disbursements for "lost time" or time devoted to union activities. The union must report in Column (E) the total of all other direct and indirect disbursements to each officer other than salary, including allowances, disbursements which were necessary for conducting official business of your organization, and disbursements essentially for the personal benefit of the officer and not necessary for conducting official business of your organization.

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 for room rent charges only) or for transportation by a public carrier (such as an airline) for an officer traveling on union business may be reported in Item 48 (Office and Administrative Expense). See the instructions for Item 24 for a discussion of certain disbursements to officers that do not have to be reported in Item 24.

## 2. Disposition of Property

As previously mentioned, Local 2-51 gave bibles, t-shirts, and gift cards to union members during the audit period, as well as hats and gloves to the VFW at Christmas. Consequently, Item 13 (Acquisition or Disposition of Assets) should have been answered "Yes." The union must describe the merchandise in Item 56 (Additional Information), as well as the manner in which it was disposed of, its value, and the identity of the recipients. The union does not have to itemize every recipient of such giveaways by name; it can describe the recipients by broad categories, if appropriate, such as "members" or "retirees." Also report in Item 56 the cost or other basis at which the merchandise disposed of was carried on the union's books.

## 3. Interest

Local 2-51 reported \$0 in Item 41 (Interest & Dividends) when it actually received \$106. The union must report all interest and dividends received from savings and checking accounts, certificates of deposit, bonds, mortgages, loans, investments, and all other sources.

#### 4. Receipts and Disbursements

The total receipts and disbursements reported in Items 44 and 55 (Total Receipts and Total Disbursements, respectively) do not match the total figures in the union's records because, in part, it included a \$21,469.64 funds transfer and failed to include some income that it received during the reporting period, but booked in the succeeding reporting period (see Receipts Dates Not Recorded, above). The local must accurately report total receipts and total disbursements on its LM-3 report.

The instructions for Statement B (Receipts and Disbursements) of Form LM-3 state that receipts must be recorded when money is actually received by the union and disbursements must be recorded when money is actually paid out by the union. Transfers between separate bank accounts or between special funds of your organization, such as vacation or strike funds, do not represent the flow of cash in and out of your organization. Therefore, these transfers should not be reported as receipts and disbursements of your organization.

#### 5. Beginning & Ending Cash

It appears that the beginning and ending cash figures reported in Item 25 (Cash) are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that all cash on hand, such as undeposited cash, checks, and money orders; petty cash; and cash in safe deposit boxes should be included. Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money market accounts. Also to be included is any interest credited to your organization's accounts during the reporting period. The union should obtain account balances from its books as reconciled to the balances shown on bank statements.

During the audit's opening interview, Ms. Cowper stated that she "forced" Item 25(A) (Cash - Start of Reporting Period) to make the union's recently filed LM-3 reports reconcile. Ms. Cowper said that she believed she had correct receipts, disbursements, and end-of year cash figures, so she used those figures to "force"

the beginning-of-year cash figure. You should be aware that, under the provisions of Section 209 of the LMRDA and Section 3571 of Title 18 of the U.S. Code, the knowing falsification of a union's annual financial report, or the omission of material facts therefrom, can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. In addition, under the provisions of Section 1001 of Title 18 of the U.S. Code, the penalty for the filing of a false report could be a fine and imprisonment for not more than 5 years. Based on Ms. Cowper's forthrightness and your and her assurance that Local 2-51 will refrain from "forcing" numbers on the LM reports in the future, OLMS does not plan to pursue further enforcement action at this time.

I am not requiring that Local 2-51 file an amended LM report for 2009 to correct the deficient items. Local 2-51 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issues

##### 1. Mileage Expense and Per Diem Policy

The audit disclosed that Local 2-51 officers may claim mileage at the current IRS rate for conducting union business if they travel a certain distance; however, the union has no policy (written or otherwise) that establishes how far an individual must travel in order to receive mileage. Likewise, you advised that union officers in travel status are entitled to per diem at the current U.S. Government rate; however, the union has no policy (written or otherwise) defining "travel status." OLMS recommends that Local 2-51 adopt written guidelines concerning such matters. Enclosed is a copy of OLMS Compliance Tip *Reimbursed Travel Expense Payments* for further guidance on this matter.

##### 2. Bank Deposits

The audit revealed that Ms. Cowper frequently held money received by the union for up to a couple of months before making bank deposits. OLMS recommends that Local 2-51 consider requiring the financial secretary-treasurer to make regular, frequent deposits of dues and other union funds to the union's bank account. He/She should identify each deposit with a specific set or time period of receipts in the union's receipts journal to make the relationship between receipts and bank deposits perfectly clear and easily verifiable.

3. Duplicate Reimbursement

The audit disclosed that you received \$29.66 in compensation to which you were not entitled as a result of submitting duplicate meal expense claims. At the exit interview, you stated that you did not intentionally submit the same receipt twice to receive double reimbursement and you repaid the union the \$29.66 in question. Based on your repayment and promise to closely scrutinize all claims for reimbursement in the future, OLMS does not plan to pursue further enforcement action at this time.

4. Approval of Union Financial Reports

During the opening interview, you and Ms. Cowper disclosed that the financial reports were read at all union meetings. However, a review of the minutes indicated that financial reports were not read at all union meetings. It is strongly recommended that this be done consistently to improve internal financial controls by promoting increased transparency & accountability.

5. Meeting Minutes

Local 2-51 maintains handwritten minutes of its meetings in a large book. The purpose of keeping meeting minutes is to document the approval and authorization of various union business. To fulfill its purpose, meeting minutes must be both detailed and legible. OLMS found it difficult, and at times impossible, to read the union's meeting minutes. If the union chooses to continue to keep handwritten meeting minutes, it should either insist that the recording secretary keep legible minutes or prepare a typed version of the minutes to accompany the handwritten minutes.

I want to extend my personal appreciation to USWA Local 2-51 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,



Mr. Kevin Wright  
September 23, 2010  
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Investigator

Enclosure

cc: Lesa Cowper, Financial Secretary-Treasurer