



October 11, 2011

Mr. Chadwick Stelmacher, President  
Steelworkers Local 2-94  
5314 5th Avenue  
Wisconsin Rapids, WI 54495

Case Number: [REDACTED]  
LM Number: 003032

Dear Mr. Stelmacher:

This office has recently completed an audit of Steelworkers Local 2-94 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 Brenda Engel, Secretary Thomas Stensberg, Trustee William Magee, and Accountant Bill Olson on September 26, 2011, 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 2-94's 2010 records revealed the following recordkeeping violations:

1. Dates of Some Receipts Not Recorded in Union Records

Local 2-94 failed to retain records to identify the dates that some monies were received. Receipt entries in Local 2-94's accounting software, QuickBooks, reflect the date the

union deposited money, but not the date money was received. In addition to the information recorded in QuickBooks, Local 2-94 also retained individual duplicate receipts that identified the date, amount, source, and purpose of most receipts other than dues payments received by direct deposit from the International Union. However, duplicate receipts were not prepared for at least \$2,000 of income that Local 2-94 received, including receipts from the Wisconsin Department of Revenue and the Radisson Hotel. Although each receipt was recorded in QuickBooks, neither the entries in QuickBooks nor any other records identify the dates those payments were received. Records must be retained that identify the dates all monies were received. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-3). The LM-3 instructions for Statement B state that receipts must be recorded when money is actually received, and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received.

## 2. Lodging Expenses

Local 2-94 did not retain adequate documentation for lodging expenses incurred by union officers and employees totaling at least \$7,800. The lodging expenses were directly paid by checks to hotels; however, no additional documentation was retained for the expenses except for the cancelled checks. As mentioned above, with regard to disbursements, original bills, invoices, receipts, vouchers, and applicable resolutions must be retained. In addition, records must be retained which identify the union business conducted that required the expenses to be incurred.

## 3. Reimbursed Auto Expenses

Union officers and employees who received reimbursement for the business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$1,000 during 2010. During the opening interview, Mr. Stensberg advised that all claims for mileage reimbursement are required to be documented on a "wage and expense voucher." Although vouchers were prepared for mileage reimbursements, the vouchers usually only identified the total amount of the reimbursement claimed and did not identify the dates of travel, the number of miles driven, or the business purpose of the travel. None of the vouchers identified the locations traveled to and from.

Local 2-94 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. Per Diem Payments

During 2010, Local 2-94 officers and employees received more than \$2,700 in per diem payments for union business travel. Article XII, Sections 3, 4 & 5 of the Local 2-94 by-laws authorize varying amounts to be paid for per diem depending upon the nature of the travel (in town vs. out of town, overnight stay or no overnight stay). Mr. Stensberg advised that all claims for any type of per diem payment are required to be documented on a wage and expense voucher. The audit found that the vouchers on which per diem claims were documented were insufficient in that the dates on which per diem was claimed were not identified (e.g. an officer claimed five days of wages lost while conducting union business but only claimed three days of per diem and did not identify the dates for which per diem was claimed). Additionally, the vouchers failed to identify the locations traveled to, the daily per diem rate, and the union business purpose of the travel.

In the case of per diem payments to officers and employees for travel on union business, Local 2-94 must maintain records which identify the business purpose of each trip, the dates of travel, the destinations traveled to, and the per diem rate claimed for each date.

#### 5. Credit Card Expenses

Local 2-94 did not retain adequate documentation for credit card expenses incurred by union officers totaling over \$2,800. A majority of the expenses for which adequate documentation was not retained were Internet purchases for airfare. Local 2-94 failed to retain any documentation for these purchases other than the monthly credit card statements.

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.

Based on your assurance that Local 2-94 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 2-94 for the fiscal year ended December 31, 2010 was deficient in the following areas:

## 1. Dues Receipts

Local 2-94 erroneously included some dues payments from ABR Employment Service (ABR) twice in the amounts reported in Item 38 (Dues). Local 2-94 received dues check off checks totaling \$3,265.70 from ABR for dues withheld from the wages of temporary employees working in the Local 2-94 bargaining unit at Corenso Company. Ms. Engel stated that she recorded the payments from ABR as dues receipts in QuickBooks. Local 2-94 remitted checks equivalent to the amounts of the ABR checks to the International Union which deducted per capita taxes owed for those members and remitted the local's portion for dues back to Local 2-94 by way of direct deposits to the union's checking account. Ms. Engel stated that she also recorded these payments from the International Union as dues receipts in QuickBooks. The total amount of dues receipts recorded in QuickBooks (\$217,234) is the same amount reported in Item 38 (Dues) of the LM-3 report filed by Local 2-94 for 2010. Mr. Olson stated that the dues receipts from ABR as well as the dues receipts from the International Union on behalf of the ABR employees were included in the total dues receipts reported in Item 38.

For LM reporting purposes, OLMS considers the receipt of income from ABR as funds collected on behalf of affiliates for transmittal to them and as such should be reported in Item 43 (Other Receipts) to avoid the double reporting of the same income as dues in Item 38 (Dues). Likewise, the payments to the International Union from Local 2-94 for the dues collected on behalf of the members employed by ABR must be reported in Item 54 (Other Disbursements) as these disbursements are disbursements to an affiliate of funds collected on their behalf.

## 2. Other Receipts

Local 2-94 failed to report receipts totaling more than \$1,000 in Item 43 (Other Receipts) of Statement B on the LM-3 Report. The audit revealed that most of the income recorded by Local 2-94 in various receipt categories in the local's QuickBooks records equaled amounts reported in the various categories of Statement B of the LM-3 report, including dues receipts (Item 38), initiation fees (Item 40), and interest (Item 41). Ms. Engel advised that she booked all the remaining sources of income outside of these three categories to a bookkeeping category named "refunds." During the audit year, \$1,417 in receipts was booked to this category, including receipts from CERA Park, the Wisconsin Department of Revenue, other USW locals, and the Radisson Hotel; however, only \$389 was reported in Item 43 (Other Receipts). The total receipts recorded in the union's records equal \$225,958; however only \$224,925 in total receipts was reported on the LM report. The remaining income was not reported anywhere on the LM report.

During the audit, Ms. Engel advised that it was possible that the receipts were "netted" against disbursements for similar expenses and the total amount of receipts and disbursements were not reported on the LM report. The purpose of Statement B is to report the flow of cash in and out of your organization during the reporting period,

therefore off-setting receipts against disbursements and reporting only the balance as a receipt or a disbursement is not permitted.

### 3. Other Disbursements

Local 2-94 reported \$95,268 in Item 54 (Other Disbursements). During the exit interview, Accountant Bill Olsen stated that the types of disbursements identified as "Other Disbursements" on the quarterly audit reports were reported as such in Item 54 of the LM report. The audit reports show that over \$14,000 of per capita tax disbursements were included in the "Other Disbursements" totals on the audit reports; and as a result were included in the amount reported in Item 54. However, per capita tax payments are required to be reported in Item 47 (Per Capita Tax). In addition, disbursements totaling more than \$25,000 for expenses such as rent, lodging and airfare (paid directly by the local), employer taxes, bank service charges, and utility expenses identified as "Other Disbursements" on audit reports were also included in the amount reported in Item 54. Page 13 of the LM-3 instructions identifies most of these payments as the type of payments that are to be reported in Item 48 (Office and Administrative Expenses).

The types of disbursements that should be reported in Item 54 include those that are not reported in Items 45 through 53 of the report, including fees, fines, assessments, supplies for resale (hats and t-shirts), repayments of loan obtained, transmittal of funds collected for third parties (disbursements to the IU for dues collected from ABR), educational and publicity expenses, withholding taxes, and payments for the account of affiliates and other third parties.

### 4. Acquire or 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 2-94 gave away at least 30 t-shirts valued at nearly \$200 during the year. Local 2-94 also gave away merchandise at the Christmas party that was obtained by redeeming rewards points from the union credit card. 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."

Local 2-94 must file an amended Form LM-3 for the fiscal year ended December 31, 2010, to correct the deficient items discussed above. When you prepare the amended report, be sure to check the box next to Item 3(a) to indicate that the report is an amended report. The amended report may also be filed electronically using the OLMS Electronic Forms System (EFS) which can be found on the OLMS website ([www.dol.gov/olms](http://www.dol.gov/olms)). EFS is a free web-based system for completing, signing and submitting your LM reports. The amended Form LM-3 should be submitted to this office at the above address or filed electronically as soon as possible, but not later than **November 1, 2011**. Before filing any report, please review the report thoroughly to be

sure it is complete and accurate. In addition, any paper reports must be signed properly with original signatures.

I want to extend my personal appreciation to Steelworkers Local 2-94 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. Charles Hutkowski, Vice President  
Ms. Brenda Engel, Treasurer  
Mr. Thomas Stensberg, Secretary  
Mr. William Magee, Trustee