

U.S. Department of Labor

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May 18, 2005

Mr. James M. Barrett, President
Steelworkers, AFL-CIO, LU 9-456G
P. O. Box 808
Church Hill, Tennessee 37642

Dear Mr. Barrett:

This Office has recently completed an audit of Steelworkers Local 9-456G under the Compliance Audit Program (CAP) to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959, as Amended (LMRDA). As discussed during the exit interview with Financial Secretary Gary Musick and Treasurer Billy Givens on May 5, 2005, 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.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

The following record keeping violations were revealed during the audit of Local 456G's 2004 records:

1. In some instances union officers and employees failed to retain adequate documentation for reimbursed expenses, for expenses charged to union credit cards, and for lodging expenses.

With respect to documentation retained in support of specific disbursements (including those in payment of credit card charges), the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made

only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

2. The local union failed to maintain its voided checks.
3. Local Union 9-456G failed to maintain an inventory list to document the fixed assets owned by the local union.

As agreed, provided that Local 9-456G maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-2) filed by Local 9-456G for fiscal year ending December 31, 2004, was deficient in the following areas:

1. The beginning and ending balances for fiscal year 2004 as carried in the local union books were substantially less than the union's actual balances as confirmed by the bank statements.
2. The local union gave away logo type merchandise to members. The cost of these items was properly reported in Schedule 13 (Office and Administrative Expenses) as "advertising". However, because these items were given away and not sold, item 13 of the LM-2 (Acquire or dispose of any goods or property in any manner other than by purchase or sale?) should also be checked "yes" and a brief explanation provided in item 75 (Additional Information). Schedule 13 also includes a category of miscellaneous, which is not acceptable. A sufficiently descriptive explanation of all expenditures is required.
3. Local 456G failed to include some reimbursements to officers and employees in the amounts reported in Schedule 9 (All Officers and Disbursements to Officers) and Schedule 10 (Disbursements to Employees). Such payments appear to have been erroneously reported in Schedule 13 (Office and Administrative Expenses).

Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 9 and 10 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 9 and 10. However, indirect disbursements for business expenses incurred for transportation by a public carrier (such as an airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Schedule 13 (Office and

Administrative Expenses). Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G of Schedules 9 and 10 (Other Disbursements).

I am not requiring that Local 456G file an amended LM-2 report for 2004 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

The CAP disclosed a violation of LMRDA section 201(a), which requires that unions submit a copy of their current constitution and bylaws with its LM report when bylaw changes are made. Local 456G amended its constitution and bylaws after the merger of the Aluminum, Brick and Glass Workers with the Steelworkers, but a copy was not filed with Local 456G's LM-2 report for that or any subsequent year. Since you provided a copy of the amended constitution and bylaws during the audit, this matter is now resolved.

I strongly recommend that the local union begin completing monthly bank reconciliations to quickly discover any differences between the bank statement balances and the balances carried in the union's financial records. I would also suggest that the union start entering the check number and date on each invoice, bill, or lost time expense voucher as that item is paid, and that separate vendor folders be established to maintain the various invoices, vouchers and billing statements. I would also recommend the union prepare, and have the membership approve, a detailed lost time policy that specifies exactly when lost time is authorized. This policy should specifically address issues such as missed overtime, weekend work, and union work completed on personal and/or vacation days.

I strongly recommend that you make sure this letter and the compliance assistance materials that were provided to you are passed on to the current officers' successors at such time that the current officials leave office.

I want to thank Financial Secretary Gary Musick and Treasurer Billy Givens for their cooperation and courtesy during this compliance audit. If this office can be of any assistance in the future, please do not hesitate to contact me or any other representative of our office.

Sincerely,

Kermit Perkins
District Director

By:


Senior Investigator

cc: Billy Givens, Treasurer