



November 4, 2005

Mr. David Spellmeyer, President  
Steelworkers Local 1063  
1414 20<sup>th</sup> Street  
Granite City, Illinois 62040

Dear Mr. Spellmeyer:

This office has recently completed an audit of Steelworkers Local 1063 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 Financial Secretary John Logan on November 1, 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.

The following violations were revealed during the audit of Steelworkers Local 1063's 2004 records.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206, among other things, requires that records be maintained for at least five years from which the documents filed with the Secretary of Labor can be verified, explained, and clarified. As a general rule, all records used or received in the course of union business must be retained.

During the audit, it was discovered that Local 1063 failed to keep records that verified, explained, or clarified all receipts/disbursements from the credit union savings account. As discussed during the interview, it is suggested that Local 1063 utilize a ledger specifically for the credit union savings account that will clarify all the related transactions.

Additionally, Local 1063 does not utilize duplicate receipts for non-dues receipts that are received from such items as employer sponsorships/donations, 401(k) refund checks, or sale of hats, shirts, jackets, etc. A duplicate receipt system is an effective way to verify all transactions of monies received by Local 1063 that are not directly deposited into the local's accounts.

Also, Local 1063 did not provide back-up documentation or an appropriate documented explanation for several disbursements. Examples include:

- *Shirts & Stuff* purchases
- SOAR Tee Sponsorship
- *Kyle's Baseball* purchases
- Payment to James Kelley and Tracey Travis for construction/remodeling services
- *Gateway Dicarlo Meat* purchases
- *Knights of Columbus* Halloween party

Although a voucher was completed for each of the above items, the voucher should also have an invoice, receipt, letter, or other document which explains the full amount disbursed.

Local 1063 should also keep accurate and detailed minutes for all membership and executive board meetings.

As agreed during the exit interview, Local 1063 will utilize a ledger for the credit union savings account as well as a duplicate receipt system for non-direct deposited receipts. Local 1063 also agrees to maintain adequate back-up documentation for all future disbursements.

The audit also disclosed a violation of LMRDA Section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Local 1063 for fiscal year ending December 31, 2004, was deficient in the following areas:

Other Liabilities (Item 35) – Local 1063 incorrectly reported tax withholdings to be paid as Other Liabilities in Item 35. Tax withholdings to be paid should not be reported as Other Liabilities.

Other Receipts (Item 43) – Local 1063 did not include receipts deposited into the credit union savings account. This omission also affects the amount reported for Total Receipts (Item 44).

Total Disbursements (Item 55) – Local 1063 did not include disbursements made from the credit union savings account.


As agreed during the exit interview, Local 1063 will file an amended LM-3 report for fiscal year ending December 31, 2004. I would encourage you to utilize the LM-3 instructions provided for guidance when completing the amended LM-3 report. An initial deadline date for submission of the amended LM-3 report has been set for December 1, 2005.

Finally, the audit revealed a violation of LMRDA Section 502, which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals during the preceding fiscal year. Local 1063's officers and employees are currently bonded for \$16,984, but they must be bonded for at least \$17,271. Local 1063 should request that the International increase their minimum bonding. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained.

I want to thank you for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to contact me or any other representative of our office.

Sincerely,

Dennis L. Eckert  
District Director

  
Investigator