

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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September 3, 2008

Mr. Larry J. Campbell, Treasurer
USW Local 1-1206
234 Allen Street
Franklin, OH 45005

LM File Number: 513-538
Case Number: [REDACTED]

Dear Mr. Campbell:

This office has recently completed an audit of USW Local 1-1206 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 Investigator [REDACTED] discussed during the exit interview with you and President Mark Houston on July 11, 2008, 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 1-1206's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 1-1206 did not retain adequate documentation to support reimbursed expenses incurred by former President [REDACTED] and former Treasurer [REDACTED] totaling at least \$721.00. For example, former President [REDACTED] received check [REDACTED] for \$430.00 as a reimbursement for lost wages; however, the reimbursement was not supported with adequate information. Former Treasurer [REDACTED] received check [REDACTED] in March 2007 for \$291.04. There was no documentation found within the records to support the above check.

As noted above, 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.

2. General Records

Local 1-1206 failed to maintain records that support the general course of union business. For example, Local 1-1206 did not have check images provided by the bank for January and April 2007 for Huntington National Bank, account number 88031964,. The local did not retain audit reports provided by Mack & Mack CPA or vouchers used to record disbursements. The above records are necessary to accurately verify the union's disbursement records.

Local 1-1206 did not retain union dues checkoff lists provided by Atlas Roofing Corporation. The union did not maintain bank deposit slips, receipts, or check stubs from dues refund checks sent by the United Steelworkers. These records are necessary to properly verify dues collected and deposited.

Local 1-1206 did not retain complete executive board and general membership meeting minutes with its records. The United Steelworkers International

Constitution Article VIII, Section 3, Duties of the Recording Secretary states: The Recording Secretary shall record the proceedings of the local union in a book kept for that purpose.

According to Section 206 of the LMRDA, records must be maintained on the matters required to be reported which will provide in sufficient detail the necessary basic information and data from which the documents filed can be verified, explained and checked for accuracy and completeness.

3. General Disbursements

Local 1-1206 did not retain supporting documentation for purchases and payments made during the 2007 audit year. For example, Local 1-1206 made a \$234.22 purchase at Staples, but an itemized receipt was not retained with the financial records. Local 1-1206 also failed to retain the first quarter invoice provided by Mack & Mack CPA for services rendered.

Supporting documentation should be maintained in the union records for all disbursements.

4. Meal Expenses

Local 1-1206 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$26.84. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 1-1206 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, the meal receipt from Frisch's Big Boy did not have a written explanation detailing the purpose for the meal. 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. Lack of Salary Authorization

Local 1-1206 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1-1206's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 1-1206 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Disbursements to Officers

Local 1-1206 did not include some reimbursements to officers totaling at least \$481.81 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 1-1206 officers and some indirect disbursements made on behalf of its officers 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).

2. Failure to File Bylaws

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 it makes changes to its constitution or bylaws. Local 1-1206 amended its constitution and bylaws; however, you were not sure when the revisions were made.

As agreed, Local 1-1206 will file a copy of its current constitution and bylaws with OLMS as soon as possible but not later than September 30, 2008.

I am not requiring that Local 1-1206 file an amended LM report for 2007 to correct the deficient items, but Local 1-1206 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Inventory of Fixed Assets

Local 1-1206 did not maintain an inventory of its fixed assets during the 2006 audit year. An inventory should be kept to verify, support, and clarify the amounts reported in item 29 of the LM-3. The union must report details of all fixed assets, such as land, buildings, automobiles, office furniture and equipment owned by your organization at the end of the reporting period. This includes assets that were expensed, fully depreciated, or carried on your organization's books at scrap value.

The inventory kept by the union should record a detailed description of what was purchased, the date of the purchase, the amount of the purchase and the depreciated value. The report should be kept with the union records.

2. Check Signatures

During the audit, Investigator [REDACTED] scanned all check images provided by Local 1-1206 from Huntington National Bank. Checks 1197-1198, 1207-1210, 1213-1279 and 1297 were negotiated with only one signature. Your union requires that all checks be signed by the president, and treasurer. The two signature requirement is an effective internal control for union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, disbursing checks with one signature does not attest to the authenticity of a completed check and negates the purpose of the two signature requirement. OLMS recommends that Local 1-1206 review this procedure to improve internal control of union funds.

I want to extend my personal appreciation to USW Local 1-1206 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,

Lesta A. Chandler
District Director

cc: Mr. Mark Houston, President