

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Chicago District Office
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June 27, 2006

Mr. John Fritz, Financial Secretary
United Steelworkers of America AFL-CIO
Local 1014
1301 Texas Street
Gary, IN 46402

Re: Case Number: _____

Dear Mr. Fritz:

This office has recently completed an audit of Steelworkers Local 1014 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 Alan Stanley, Linda Robinson, and you on May 5, 2006, 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.

Reporting Violations

The CAP 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-2) filed by Local 1014 for fiscal year ending December 31, 2004, was deficient in the following areas:

Item 10 (Have a "subsidiary organization") and Item 12 (Have a political action committee (PAC) fund) were incorrectly answered, "No." Local 1014 has its own subsidiary organization, Local 1014 Real Estate Corporation, and its own PAC account at Chase Bank. The funds and assets from both of these entities are included in your union's LM report.

Item 14 (Have a review...of its books and records...by a parent body representative) was incorrectly answered, "No". The Local's books are reviewed by an international representative every March prior to submission of Form LM-2.

Item 30 did not include the value of fixed assets that was recorded in Schedule 5 (line 8, column D) of Form LM-2. These assets were erroneously reported in Item 31 (Other Assets).

Item 58 did not include the per capita tax that is disbursed to intermediate and international bodies. The per capita tax was erroneously reported in Schedule 15 (Other Disbursements).

Schedule 5 (Fixed Assets) did not include the accumulated depreciation and market value of the Local's fixed assets and contained erroneous book values. The Local needs to report the cost, accumulated depreciation, book value, and market value of all fixed assets in accordance with the instructions for Form LM-2.

Schedule 10 (Disbursements to Employees) did not include Christmas bonuses to the employees. These disbursements were erroneously reported in Schedule 12 (Civic/Charitable).

Schedule 11 (Benefits) did not include the 401-K contributions disbursed by the Local on behalf of its employees. These contributions were erroneously reported in Schedule 15 (Other Disbursements).

We are not requiring that Local 1014 file an amended LM report for 2004 to correct the deficient items, but as agreed, Local 1014 will properly report the deficient items on all future reports filed with this agency.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 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 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 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.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 1014's 2004 records revealed the following recordkeeping violations:

The Local did not have proper prior authorization for an \$1802 payment to _____, Griever Chairperson, for reimbursement to a women's conference in May 2004. Although the trip was approved by the membership in June 2004, the disbursement was not authorized in the membership minutes prior to the trip. In accordance with the Local's bylaws, disbursements need to be properly authorized by the membership except for recurring expenses.

The Local did not maintain a record of all receipts and disbursements made to and from the petty cash fund maintained by Local Secretary Linda Robinson during the audit period. The Local also did not maintain receipt records for all cash received by the Local used to replenish the petty cash fund.

The Local did not maintain a record of all receipts and disbursements made to and from the safe maintained in your office.

The Local did not maintain a record of all funds received from union hall renters for the purpose of paying hall security. The Local also did not maintain a record of all funds disbursed to hall security.

As agreed, provided that Local 1014 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

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I want to extend my personal appreciation to Steelworkers Local 1014 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,

A thick black horizontal line redacting the signature of the investigator.

Investigator

cc: Michael Mitchell, President