



December 23, 2010

Mr. Rodney Werner, President
Steelworkers, AFL-CIO, Local 11-505
67 120th Avenue
Ceylon, MN 56121

Case Number: [REDACTED]
LM Number: 039320

Dear Mr. Werner:

This office has recently completed an audit of USW Local 11-505 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 Treasurer Leslie Scheff and Recording Secretary Cheryl Iliff on December 14, 2010, 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 11-505's 2009 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 11-505 records of meal expenses did not always include the specific written explanation of the union business conducted, and the itemized restaurant receipts never included the names and titles of the persons incurring or receiving the benefit of the restaurant charges. For example, in October 2009, six itemized restaurant receipts totaling over \$600 did not identify the names of those present.

For group meal expenses, union records must also include: (a) a written explanation of the specific union business conducted (it is insufficient to simply record “union business”—you must be more specific than that); (b) the full names and (c) titles of all persons incurring the food and beverage charges.

2. Lost Wages

Local 11-505 did not retain adequate documentation for lost wage reimbursement payments to you, Treasurer Scheff, Recording Secretary Iliff, and Vice President Patti McGowan totaling at least \$15,151.

Records must be maintained in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The audit found that Local 11-505 did not maintain all lost wages vouchers, and in most instances, the date and purpose of the lost wages were not recorded on the vouchers.

While it does not recommend any specific format, OLMS suggests that labor organizations use detailed vouchers to support lost time payments. Your union’s lost time voucher should include, at a minimum, the following information: the date of each claim, the total hours claimed, the hourly rate of pay, and the specific union business conducted. Further, explanation of the union business conducted such as: “Union business,” “meeting,” and “grievance work” are not sufficiently specific. A better explanation would be, for example, “Negotiations preparations; met with local union officers to determine strategies.” OLMS recommends that the voucher also include the beginning and ending times of the hours lost each day so that the union can compare the claim to employer payroll records to verify the number of hours lost.

Enclosed is a compliance tip sheet, *Union Lost Time Payments*, that contains a sample of an expense voucher Local 11-505 may use to satisfy this requirement.

3. Failure to Record Receipts

The only receipt records maintained by Local 11-505 were the bank statements and deposit ticket images. In no record did Local 11-505 record the date, amount, purpose and source of each receipt. For example, Local 11-505 failed to record its receipt of dues checkoff checks, interest, and income from the sale of t-shirts totaling at least \$18,743.

Receipts records must include an adequate identification of all money received. The records should show the date and amount received and the source of the money.

4. Lack of Salary Authorization

Four officers of Local 11-505 received a monthly salary of between \$25 per month and \$235 per month. However, Local 11-505 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 were therefore correctly reported.

Local 11-505 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries.

Based on Ms. Scheff and Ms. Iliff's assurances that Local 11-505 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issues

Lost Time Policy

During the exit interview, Ms. Scheff and Ms. Iliff stated that Local 11-505's lost wage reimbursement policy is to pay officers and employees for any wages that they lose from the employer for conducting union business during their regularly scheduled working hours. They stated that lost wages would not be paid to anyone who was on employer paid leave, nor would lost wages be paid to someone who would not have otherwise been paid by the employer, such as during a person's off hours (e.g. evenings and/or weekends). They stated that persons may be paid "half-time" if they miss work to conduct union business, and then work a Saturday following the lost day. They stated that since the member will not be paid time and a half from the employer for the Saturday since they worked only 32 hours that week before working on Saturday, the union makes up the "half-time." Lastly, they stated that these policies are not in writing, and the audit confirmed as much. Further, a comparison of union and employer records revealed that during 2009, Recording Secretary Patti McGowan was paid \$223.74 from Local 11-5050 for time she spent conducting union business, but for which she did not lose wages from the employer. Ms. McGowan was paid by Local 11-505 for attending labor-management meetings and helping to prepare the union's LM-3 report even though she did not lose time from her employer. They stated that these payments were all authorized and approved by the membership.

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish best practices for administering lost time payments. OLMS recommends that unions (1) adopt clear policies and procedures for making lost time or similar payments and (2) use vouchers that require detailed

information to support lost time payments. These practices will allow the union to properly report lost time payments on the Labor Organization Annual Report, Form LM-3.

OLMS does not recommend one best lost time policy. Rather, we suggest that your union's policy address the questions posed in the enclosed Compliance Assistant Tip entitled *Union Lost Time Payments*.

Whatever your union's policy and procedures, they should be reduced to writing and added to your union's bylaws or discussed at an executive board or membership meeting where they can be supported by entries in the meeting minutes. Once established, it is important that your union consistently follow its procedures for handling lost time. You may want to have your union's trustees or auditors compare the steps taken to pay lost time with the union's policy to make sure that all required procedures are being followed.

I want to extend my personal appreciation to USW Local 11-505 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,



Senior Investigator

cc: Ms. Leslie Scheff, Treasurer
Ms. Cheryl Iliff, Recording Secretary

Enclosures: As Stated