

U.S. Department of Labor

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March 24, 2008

Mr. Michael Teal, President
United Steel Workers
Local 12012
4 Ohio Road
Tyngsboro, MA 01879

LM File Number: 044-023
Case Number: ||| ||| ||| ||| ||| |||

Dear Mr. Teal:

This office has recently completed an audit of USW Local 12012 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 you, Financial Secretary Costopolous, and Treasurer Towle on March 19, 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.

The audit disclosed recordkeeping and reporting violations.

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 12012's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed, Credit Card, and Other Expenses

Local 12012 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$18,392.88. For example, the local did not retain documentation for \$17,177.64 in credit card expenses including plane tickets, hotel bills, meals, conference expenses, office supplies, and other union expenses. Also, \$1,215.24 in other general reimbursed expenses documentation was not retained for meals, office supplies and other expenses.

Local 12012 did not maintain any documentation for at least \$3,016.34 in professional fees, including accounting and legal services; at least \$1,785.53 in office and administrative expenses including phone service bills, conference fees, and other expenses; and at least \$1,578.00 for insurance payments. In total, the local did not retain documentation for at least \$6,379.87 in other local expenses.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president, treasurer, and financial secretary of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

Local 12012 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$1,083.95. 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.

3. Reimbursed Auto Expenses

Union officers and employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$149.26 during 2006. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

4. Lost Wages

Local 12012 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees totaling at least \$5,127.02. The OLMS audit found that Local 12012 maintained lost time vouchers for all but 16 of the lost time claims paid during the fiscal year. However, the local did not maintain records verifying the lost time request to the employer or employer records showing the lost time, as required by the local. The union must maintain records 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.

5. Failure to Record Receipts

Local 12012 did not record in its receipts records funds received by the local totaling \$364.82. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

6. Failure to Maintain Receipt Documentation

Local 12012 did not retain documentation for at least \$4,258.04 in other receipts received, recorded and deposited into local's bank account. Documentation must be retained to identify the source of the receipts, the individual who received the receipts for the union, and the date the receipts were received.

7. Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that the membership authorized expenses other than monthly bills at the monthly membership meeting. However, the minutes of the meeting do not contain any reference to over \$6,280.00 in gifts and donations made by Local 12012 during the fiscal year. For example, the local made gifts and donations through a scholarship program. The local also gave to local athletic clubs, sports associations, and other local charities and associations. Other gifts and donation from the local included flowers or monetary donations to a charity for members who had experienced hardships during the year. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance this documentation will be kept in the future, we will not take any further action at this time. However, the proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 12012'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 12012 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Disbursements to Officers

Local 12012 did not include some reimbursements to officers totaling at least \$3,061 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other). Also, the local had \$24,640.96 in union credit card charges over the fiscal year that were not properly categorized on the LM Report, including many instances where the credit card charges should have been reported under officer reimbursements.

Local 12012 also did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to Local 12012 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. Reporting of Receipts and Disbursements

Local 12012 over-reported receipts by \$1,218 on their LM Report. Local 12012 over-reported disbursements by \$12.

At least \$2,372 in interest and dividend receipts were not correctly reported in Item 41 (Interest and Dividends). It appears the union erroneously reported these payments in Item 38 (Dues) and Item 43 (Other Receipts).

At least \$6,579 in office and administrative disbursements were not reported on the local's LM Report. It appears the union erroneously reported these payments in and appeared to have been reported instead in Item 54 (Other).

I am not requiring that Local 12012 file an amended LM report for 2006 to correct the deficient items, but Local 12012 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to United Steel Workers Local 12012 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,

Mark Letizi
District Director

cc: Mr. Charles Costopolous, Financial Secretary

Ms. Diane Towle, Treasurer