

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Dallas District Office
525 Griffin Street
Room 300
Dallas, TX 75202
(972)850-2500 Fax: (972)850-2501



April 15, 2008

Mr. Randy Pate, Financial Secretary-Treasurer
Steelworkers AFL-CIO
Local 13-1148
511 W. Lanmark St.
Queen City, TX 75572

Re: Case Number: [REDACTED]

Dear Mr. Pate:

This office has recently completed an audit of Steelworkers Local 13-1148 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 on March 28, 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 13-1148's 2007 records revealed the following recordkeeping violations:

1. Disposition of Property

Local 13-1148 did not maintain an inventory list of jackets and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items.

2. Failure to Record Receipts

Local 13-1148 did not maintain any receipts records for any accounts. The local failed to record any dues check-off checks received or interest earned on investment accounts. For example, the investment accounts earned over \$1,400 in 2007, but none of the receipts were recorded. 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.

3. Receipt Dates not Recorded

Local 13-1148 not only failed to maintain a record that reflects the date the union deposited money, but also the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date

money was received could result in the union reporting some receipts for a different year than when it actually received them.

4. Information not Recorded in Meeting Minutes

During the audit, you and Mr. Krebs advised OLMS that the membership authorized the payment of bills, lost time, travel expenses, and other reimbursements in an annual motion at the beginning of the year. The motion which serves as a blanket approval for expenses was made available, but does not provide any details about limits on expenses or who could incur the expenses.

Local 13-1148 maintained additional meeting minutes, but they did not include any details about expenses. Records indicated that the local did not have meetings during some months, but no reason was provided as to why. The use of a blanket authorization and lack of financial reporting to the membership contributes to a weak checks and balances system and breakdown in the internal controls process.

5. Lack of Salary Authorization

Local 13-1148 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes or incorporate the approval into the Local Constitution and Bylaws, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 13-1148 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

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 13-1148 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Local 13-1148 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 13-1148 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).

I want to extend my personal appreciation to Steelworkers Local 13-1148 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,



Investigator

cc: President Barney Krebs