

U.S. Department of Labor

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June 27, 2008

Mr. Kevin Lake, President
United Steelworkers Local 1306
P.O. Box 561
Stevens Point, WI 54481

LM File Number: 002-811
Case Number: [REDACTED]

Dear Mr. Lake:

This office has recently completed an audit of Local 1306 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 Tom Worzalla on June 18, 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 1306's 2007 records revealed the following recordkeeping violations:

1. Meal Expenses

The Local 1306 records for reimbursed meal expenses, while including vendor receipts and identifying a union business purpose, did not always identify the recipients of the meals paid for by union officers or employees. For example, member [REDACTED] was reimbursed \$79.59 in March 2007 (check [REDACTED]) for a single restaurant expense while attending the Women of Steel Conference in Green Bay, an overnight conference she was authorized to attend. The single restaurant vendor receipt attached to her voucher indicated that two meals and at least five drinks were purchased, but there was no indication of the identity of the additional guest(s).

Records for meal expenses must include written explanations of the union business requiring the meals, the identities of the officers or employees charging meal expenses to any union credit cards (if any), the names of restaurants where meal expenses were incurred, and the full names and titles of all meal guests (i.e., the "recipients" of the goods or services purchased by the union).

2. Lost Wages and Mileage

Local 1306 did not always retain adequate documentation for reimbursed lost wages and mileage payments. The audit found that several vouchers for lost time and mileage expenses did not sufficiently describe the union purpose, but gave the business reason as simply "organizing" or "grievance meeting." Such explanations did not adequately allow OLMS to verify that the amounts claimed were for a union purpose.

Records to support lost wage claims must include each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and an adequate description of the union business conducted. In the case of the sporadic occasions of lost time incurred by Local 1306 officers for "organizing," the identity of the workplace or types of workers being organized or who (or what entity) sponsored or attended the meeting should be identified. In the case of the sporadic occasions of lost time incurred by Local 1306 officers for "grievance meetings," the identity of the grievance topic or number, step (if any), or the individuals attending the meeting should be identified. This type of particular information about occasional or sporadic organizing and grievance meetings distinguishes one event from another. Such information is not required for the established quarterly Joint

Group meetings, where the meeting dates, locations, and attendees are already known.

For mileage expenses, records must identify the dates of travel, locations traveled to and from, and number of miles driven. Records must also show an adequate business purpose for each business use of a personal vehicle by an officer or employee who is reimbursed for mileage expenses.

3. Other Travel Expenses

Local 1306 did not retain adequate documentation for reimbursed travel expenses paid to Treasurer Worzalla, who was issued check [redacted] in September 2007 for \$196.63 for what the disbursements journal said "Hertz car rental" for a trip to Norfolk, Virginia, for computer training. Mr. Worzalla told me that after arriving at the Norfolk airport, the Hertz staff said that they had lost his reservation and that instead he traveled by cab between the airport and the hotel and did not recall how much the cab cost. Mr. Worzalla also said that he incurred two meal expenses for which he did not claim per diem, and that he considered the check to have covered the two cab rides and the two meals expenses. Mr. Worzalla confirmed that he submitted no vendor receipts for the cab rides or the meals, and stated that he lost one receipt in the laundry after he returned home.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements, as well as documentation showing the nature of the union business requiring the disbursement and the identity of the recipients of the good or services. The president and treasurer (or corresponding principal officers), who are required to sign the Labor Organization Annual Report (Form LM-3), are responsible for properly maintaining union records. In this case, Local 1306 disbursements records showed that officers and employees were paid for actual travel expenses incurred rather than a per diem. Therefore, for check [redacted] the expense receipts for the cab rides and meal expenses should have been retained, and the total of the expense receipts should be equal to the check amount.

4. Receipt Dates Not Recorded

Many entries in Local 1306's receipts journal reflect the date money was deposited, not the date money was received. Receipts records must show the date of receipt, which 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 receipts must be recorded when money is actually received

and disbursements must be recorded when money is actually paid out. Failure to record on the LM-3 the date money was received could result in reporting some receipts for a different year than the one in which they were received.

5. Disposition of Gift Cards Used for Officer Compensation

Meeting minutes show that the members approved giving the guards a \$10 gift certificate per meeting as compensation. The 2007 disbursements journal shows the purchase from St. Bronislava Church of a total of \$275 in gift cards from the Stevens Point Area Catholic Schools Gift Card Program (formerly called "Scrip").

Treasurer Worzalla stated that he gives the guards a gift card good only for the vendor of their choice, that the gift cards for some vendors do not come in the amount of \$10, and that he may have to wait several months before "paying" the guards until the denomination of the gift cards is the equivalent of \$10 per meeting. Treasurer Worzalla further stated that he does not maintain an inventory or other record to document the payment to the guards of the gift cards or the quantity on hand at the beginning and end of the reporting period. He estimated that during 2007 he had approximately \$60 in unused cards at the start of the year, but recalled that he had no unused cards at the end of the year.

The LM-3 requires that the total value at the start and end of the reporting period of a labor organization's "other" assets be identified in Item 30 (Other Assets). In addition, direct and indirect disbursements to officers not involving some form of cash (currency, checks, money orders, etc.) should not be reported in Item 24 (Disbursements to Officers), but must be explained in Item 56 (Additional Information). Therefore, an inventory or similar record must be maintained to verify, clarify, and explain Items 30 and 56.

Based on Treasurer Worzalla's assurance that Local 1306 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 1306 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered "Yes" because, according to a log maintained by Recording Secretary Margaret Laskowski, Local 1306 gave away Chamber of Commerce gift certificates totaling \$1,150 in 2007.

The type and value of any property received or given away must be identified in the additional information section of the LM-3, along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees." In addition, the cost, book value, and trade-in allowance for any assets that were traded in must be reported.

2. Unreported Receipts and Disbursements

Money collected and disbursed by Sue Zalewski for the annual Old Timer's Picnic was not reported on the LM-3. Records show that Ms. Zalewski collected \$512 from members to attend the picnic and that she used the money to pay for various picnic expenses. The receipt of \$512 by Ms. Zalewski on behalf of Local 1306 should have been reported in Item 43 (Other Receipts), and the corresponding disbursement should have been reported in Item 54 (Other Disbursements). The instructions for Statement B (Receipts and Disbursements) of the LM-3 state that "netting" is not permitted. "Netting" is the offsetting of receipts against disbursements and reporting only the balance (net) as either a receipt or disbursements. In this case, the "net" was zero.

3. Unreported Assets

Local 1306 failed to report in Item 30 (Other Assets) the balance on hand at the beginning and end of the reporting period for (1) Chamber of Commerce gift certificates that were purchased from the local bank and (2) gift cards from the Stevens Point Area Catholic Schools Gift Card Program that were purchased from St. Bronislava Church.

The gift certificate log maintained by Recording Secretary Margaret Laskowski for the Chamber of Commerce gift certificates identified a balance of \$150 in unused certificates on hand as of January 1, 2007, and a balance of \$100 in unused certificates on hand as of December 31, 2007, with as much as \$600 in cards purchased at a single time and on hand during the year. Treasurer Worzalla stated that although

he did not maintain records for the gift cards purchased from St. Bronislava Church, there were approximately \$60 of unused gift cards on hand at the start of the period and none at the end of the period.

The balance at the start and end of the reporting period of all "other assets," such as these gift cards and certificates, must be identified on the LM-3 in Item 30 (Other Assets).

4. Certificates of Deposit Reported As Investments

Local 1306 improperly reported as a receipt and a disbursement in Items 42 (Sale of Investments & Fixed Assets) and 52 (Purchase of Investments and Fixed Assets) the value of a certificate of deposit totaling \$10,000 that matured during 2007 and was rolled over into another account. For LM reporting purposes, OLMS considers a certificate of deposit to be cash, regardless of the term of the certificate, its value, or its union purpose. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another; therefore, these transactions should not be reported as receipts or disbursements.

5. Gifts

Local 1306 failed to report in Item 51 (Contributions, Gifts and Grants) the value of the Chamber of Commerce gift certificates that were purchased in 2007 for retirement and bereavement purposes. The disbursements journal, as well as the gift certificate log, show that checks were issued to M&I Bank for \$500 worth of certificates in March 2007 (check [REDACTED]) and \$600 worth of certificates in September 2007 (check [REDACTED]). However, zero was entered in Item 51 on Local 1306's LM-3. The total of all disbursements for contributions, gifts, and grants made by your organization must be reported in Item 51.

6. Cash Balances

Local 1306 failed to report in Item 25A (Cash at the Start of the Period) the correct total of its cash accounts as of January 1, 2007. The reported amount of \$41,509 corresponds to the reconciliation page of the financial officer's ledger for January 2007, where the beginning balances of all the cash accounts are individually identified. The certificate of deposit from Chase Bank is identified in the ledger as having a beginning balance of \$5,262.29; however, the Chase Bank statement identifies the beginning balance as \$5,356.51. Therefore, Local 1306's actual cash balance at the start of the period was a total of \$41,603. This difference was traced to

an amount of interest earned on the certificate, which, according to Treasurer Worzalla, was not recorded in the receipts journal at the actual time of receipt but some time later when he received a bank statement. As noted above, receipts must be recorded when money is actually received, and in this case, neglecting to do so resulted was an incorrect beginning of the year balance for this cash account. Local 1306 must report the correct total of all its cash accounts at the start of the period in Item 25A.

7. Disbursements to Officers

The following errors refer to Item 24 (All Officers and Disbursements to Officers):

- Local 1306 failed to report the names of several officers, and the total amounts of payments to these officers or on their behalf. An "officer" is defined as any constitutional officer, any person authorized to perform executive functions of a labor organization, and any member of its executive board. The USW Bylaws for Local Unions, in Article V, Duties of Officers, identify the position of guard as an officer, but Local 1306's two guards were not identified on the LM-3.
- Local 1306 failed to correctly report both gross salary and lost wages to officers in Column D (Gross Salary) and failed to correctly report other payments to officers in Column E (Allowances and Other Disbursements). For example, the disbursements journal shows that you were paid \$3,786 in combined salary and lost wages and \$42 in reimbursed expenses, but \$2,362 was reported in Column D and \$1,466 was reported in Column E. A second example is Treasurer Worzalla, where the journal shows he was paid total salary and lost wages of \$4,779 and reimbursed expenses (postage, office supplies, travel expenses, etc.) of \$1,237, but \$3,809 was reported in Column D and \$1,823 was reported in Column E. In the case of Mr. Worzalla, the total payments which should have been reported in Item 24 were \$6,016, but a total of only \$5,632 was reported in Item 24.

The gross salary paid to each officer (before tax withholdings and other payroll deductions), including payments for lost wages and lost time devoted to union activities, should be reported in Column D, and disbursements to each officer for reimbursed expenses should be reported in Column E.

The following error refers to Item 56 (Additional Information):

Local 1306 failed to report the value of the gift cards it distributed to the guards as compensation. Treasurer Worzalla stated that, although he did not maintain

records to track the gift cards, he had approximately \$60 in unused cards at the beginning of 2007, he distributed those plus the ones he purchased in 2007 to the guards, and had no cards left at the end of the year. The disbursement's journal shows that three checks totaling \$275 were issued during 2007 to purchase gift cards. Therefore, approximately \$335 in gift cards were distributed to the guards during the year.

Direct and indirect disbursements to officers not involving some form of cash (currency, checks, money orders, etc.) are not to be reported in Item 24 (Disbursements to Officers), but must be explained in Item 56 (Additional Information). For any distribution of gift cards to officers as compensation, Local 1306 must provide an explanation, and indicate the value, in Item 56.

Most direct disbursements to Local 1306 officers and some indirect disbursements made on behalf of the officers must be reported 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 am not requiring that Local 1306 file an amended LM-3 report for 2007 to correct the deficient items, but Local 1306 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

Expense Policy

I was unable to find any written policy regarding the types of expenses officers or members may claim for reimbursement after they are approved to attend a conference or travel on union business. Financial Secretary Treasurer Worzalla stated that the financial secretary treasurer can spend any amount of money he needs to "keep things running smoothly." The 2007 records showed that individuals who were approved for business travel claimed and were paid their actual expenses. OLMS strongly recommends that Local 1306 establish written guidelines that identify the circumstances

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and types and amounts of expenses that can be claimed for reimbursement if one is approved to travel on union business. A written expense policy is an effective internal control that can help to safeguard union assets.

I want to extend my personal appreciation to Local 1306 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 Mr. Worzalla are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: T. Worzalla, Treasurer
M. Laskowski, Recording Secretary