

U.S. Department of Labor

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Office of Labor-Management Standards
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March 31, 2010

Mr. Charles Merkes, President
Steelworkers Local 1822
1026 W. Fifth Street
Appleton, WI 54914

LM File Number: 060-813
Case Number: [REDACTED]

Dear Mr. Merkes:

This office has recently completed an audit of Steelworkers Local 1822 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, Treasurer Todd Eake, Financial Secretary Peter Franck, Recording Secretary Mike Spoehr, and Board Members Al Rathsack and Frank Bowers on March 26, 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 1822's 2008 records revealed the following recordkeeping violations:

1. Receipt Sources not Recorded

The source of over \$1,800 in income was not identified in Local 1822's receipt records. For example, on September 19, 2008 there was an entry for \$673 in the receipt ledger with the payer listed as "T-shirt sales-cash."

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.

2. General Reimbursed and Other Disbursement Records

Adequate documentation was not retained to support over \$4,000 in expense payments to several different officers of Local 1822, for mileage, lodging, per diem, and other expenses.

- a. Mileage: Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation for some mileage reimbursement payments during 2008. Treasurer Eake prepares vouchers for each officer who incurs any expense, including mileage. The vouchers that were maintained in support of the mileage expenses failed to provide the number of miles driven or the identification of the city of travel. 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.
- b. Lodging: Local 1822 failed to maintain documentation for over \$1,000 in lodging expenses that were incurred by officers during 2008. For example, check # [REDACTED] payable to Alan Rathsack included payment of \$628 for lodging

expenses related to the USW International Conventions in Las Vegas, however, no records were found to support this expense.

- c. Per Diem: Article XI, Section 2 of the Local 1822 by-laws provides that when officers or delegates travel out of town to conduct union business, per diem is paid "based on IRS guidelines." IRS Publication 1542-Per Diem Rates identifies amounts of allowable per diem based on the city of travel. During the audit year, Local 1822 disbursed more than \$1,000 in per diem payments to officers who traveled out of town on union business. However the locations traveled to were not identified on expense vouchers or in other union records. In the case of per diem expense payments, records must be retained which identify the dates of travel, locations traveled to, the amounts claimed for per diem, and the business purpose of the travel.

The by-laws also provide for an "in town" per diem for lunch or dinner not to exceed \$15 per person. During 2008, Local 1822 paid in town per diem to several officers and all payments exceeded the \$15 maximum. During the exit interview, Treasurer Eake explained that he attempted to base the in town per diem rates on a percentage of the allowable per diem rate for the city of travel (Appleton, Neenah, Menasha, etc.) as a way to remain consistent with the out of town per diem policy. You and other executive board members present at the exit interview advised that the by-laws need to be updated to reflect this current practice.

- d. Other Disbursements: Two checks payable to Treasurer Eake totaling more than \$2,000 were not supported by any documentation in the union's records.

Check # [REDACTED] to Mr. Eake (\$1,585.46) was not supported by any additional documentation. The purpose identified on the voucher was "USW Health and Safety Conference – expenses for two people plus mileage." However, the voucher does not indicate what expenses were included in the amount claimed. During the exit interview, Mr. Eake explained that the check included payment for mileage, lodging, and per diem expenses.

Check # [REDACTED] also payable to Mr. Eake (\$500) had no supporting documentation. The purpose noted on the check stub is "prizes, voting, raffle," but there is no additional documentation or reference to the payment in any union document. During the exit interview, you explained that the money was used to reward members who voted during the 2008 presidential election. All members who brought an "I voted"

sticker to the union meeting in November of 2008 were awarded with a cash prize. However, no records were retained that identify the names of the members who received payments.

In addition, Local 1822 failed to retain adequate documentation for over \$7,000 in payments to various vendors such as the Wave Bar and the Primetime, for what appears to be for drinks purchased by the local following each monthly union meeting.

3. Lost Wages

Local 1822 did not retain adequate documentation for lost wage reimbursement payments to several union officers totaling at least \$3,000. 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. The OLMS audit found that the vouchers submitted by Local 1822 officers failed to adequately identify the union purpose of the business that required the lost wages. Additionally, the rate of pay which was used to calculate the lost wage payment was often not identified on the voucher.

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

Based on your assurance that Local 1822 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 LM-3 filed by Local 1822 for fiscal year ending December 31, 2008 was deficient in the following areas:

1. Disbursements to Officers

Local 1822 did not include some reimbursements to Treasurer Eake totaling at least \$2,300 in the amounts reported Item 24 (All Officers and Disbursements to Officers). The audit revealed payments totaling at least \$3,400 were disbursed Treasurer Eake; however, the union reported payments totaling only \$1,090. It appears the union erroneously reported these payments in Item 48 or Item 54.

The union must report most direct disbursements to Local 1822 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. 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 the union gave door prizes totaling more than \$2,000 at the annual Christmas party. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

3. Failure to File By-laws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 1822 amended its constitution and bylaws in 2004, but did not file a copy with its LM report for that year.

Local 1822 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 1822 file an amended LM report for 2008 to correct the deficient items, but Local 1822 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Single Signature Requirement for Disbursements

During the opening interview, Mr. Eake advised that Local 1822 disbursements require only one signature on each check. However, Article IV, Section 6 provides that the president must sign, and the treasurer must countersign, all checks, bank withdrawal slips or other authorization for withdrawal of funds.

The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. OLMS recommends that Local 1822 review these procedures to improve internal control of union funds and comply with the provisions for disbursements as identified in the by-laws.

I want to extend my personal appreciation to Steelworkers Local 1822 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: Douglas Schwobe, Vice President
Todd Eake, Treasurer
Peter Franck, Financial Secretary

Al Rathsack, Chief Steward