



August 3, 2010

Mr. Leslie Johnson, Financial Secretary
Steelworkers Local 1968
339 Buckeye Street
Hamilton, OH 45011

Case Number: [REDACTED]
LM Number: 065124

Dear Mr. Johnson:

This office has recently completed an audit of Steelworkers Local 1968 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 July 30, 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 1968's 2009 records revealed the following recordkeeping violations:

1. Reimbursed Expenses

Local 1968 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$1,560. For example, the union did not maintain any supporting documentation regarding reimbursements for office supplies or postage, nor was there any

supporting documentation regarding the \$600 in reimbursements to former President Eric Hawley for the purchase of gift cards.

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

2. Lost Wages

Local 1968 did not retain adequate documentation for lost wage (lost time) reimbursements to union officers on 21 occasions totaling at least \$2,241. The union must maintain records in support of lost time claims, and those records must 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 Local 1968 must submit to Mohawk Fine Papers, Inc. a request for union officers and representatives to be granted leave to conduct union business, but the union did not retain any of those requests.

3. Receipt Dates not Recorded

Entries in Local 1968's Cash Book (receipts journal) reflect the date the union deposited money, but not 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 Form LM-3 Labor Organization Annual Report. The Form LM-3 instructions for Statement B state that the labor organization must record receipts when it receives money and disbursements when it 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 advised OLMS that the membership authorized the purchase of gift cards for members who were being laid off. However, union meeting minutes do not contain any reference to the purchase or distribution of those gift cards. Minutes of all membership or executive board meetings should include any disbursement authorizations made at those meetings.

5. Lack of Salary Authorization

Local 1968 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 therefore correctly reported. The union must keep a record, such as meeting minutes, to show that officer salaries were authorized by the entity or individual in the union with the authority to establish salaries.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1968'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 Form LM-3 Labor Organization Annual Report filed by Local 1968 for its fiscal year ending December 31, 2009, was deficient in following areas:

1. Disbursements to Officers

Local 1968 did not include some reimbursements to officers totaling at least \$600 in the amounts reported in Item 24 (All Officers and Disbursements to Officers) of the union's fiscal year 2009 Form LM-3. It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 1968 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. Mortgages Payable

Local 1968 failed to report in Statement A, Item 34 (Mortgages Payable) the mortgage loan for the union hall at 339 Buckeye Street. The union must enter the total amount of its obligations secured by mortgages or similar liens on real property (land or buildings) at the start and end of the reporting period in Columns C and D respectively.

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I am not requiring Local 1968 to file an amended LM report for 2009 to correct these deficient items, but the union has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Steelworkers Local 1968 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,

A solid black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Mr. Floyd Strack, President