



July 18, 2011

Mr. Bill Kilishek, President
Steelworkers Local 2-1279
P.O. Box 584
Neenah, WI 54957-0584

Case Number: [REDACTED]
LM Number: 039025

Dear Mr. Kilishek:

This office has recently completed an audit of Steelworkers Local 1279 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, Vice President George Schneider, Treasurer Michelle Krautkramer, Recording Secretary Tim Hayward, and Trustee Kevin Londerville on June 16, 2011, 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 1279's 2009 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

During 2009, Local 1279's receipts consisted of initiation fees, t-shirt sales, ticket sales for the annual holiday party, interest, and electronic funds transfers from the International Union for dues. However, the dates that monies were received were not recorded in any record. Financial Secretary Corry Sokel prepared bank deposit tickets on which he recorded the source, amount, and purpose of each receipt as well as the deposit date. In addition, the source, amount, and purpose of each receipt was routinely recorded in QuickBooks accounting software. However, former Treasurer [REDACTED] advised that the dates of the deposits recorded in QuickBooks were neither the dates that funds were deposited nor the dates that monies were received by the union, but rather the dates that he received the deposit information from the financial secretary.

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-2. 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 the date money was received could result in reporting some receipts for a different year than the one in which they were received.

2. Meal Expenses

Local 1279 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$1,000. Itemized receipts provided by restaurants to officers and employees must be retained. 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

Local 1279 officers and employees routinely retained only the credit card "signature" receipts for meal expenses. In addition, information identifying the business purpose of each expense was also routinely retained. However, the records of meal expenses maintained by Local 1279 failed to identify the names and titles of the persons incurring or receiving the benefit of the restaurant charges. For example, Local 1279 disbursed several checks totaling over \$550 to the restaurant Lord Rumbottoms for what is identified on the check stubs as for "lunch for executive board meeting;" however, neither the check stubs nor the restaurant receipts specifically identified the names and titles of the executive board members present for the meal expenses.

Records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. General Reimbursed and Credit Card Expenses

Local 1279 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$6,000. For example, [REDACTED] purchased nearly \$4,000 worth of door prizes for the Christmas party from such vendors as Best Buy, Wal-Mart and Fleet Farm. The only supporting documentation retained for these purchases included photocopies of receipts. Original bills, receipts, and invoices must be retained. In addition, Local 1279 failed to retain any supporting documentation other than the credit card statement for several lodging expenses totaling more than \$2,000 charged to the union credit card (including charges at the Marriott in Washington DC).

4. Lost Wages

Local 1279 did not retain adequate documentation for lost wage reimbursement payments to SCA Tissue on behalf of officers and employees totaling over \$70,000.

The audit revealed that Local 1279 has an arrangement with the company by which the company pays the wages of union officers and employees who are absent from their job to attend to union business. On a regular basis, Local 1279 submits a form titled "USW Local 2-1279 Lost Wages" to SCA Tissue to identify the names of officers and employees who will be absent from work to perform union business and the dates on which they will be absent. SCA Tissue pays the wages for these individuals based on the information listed on the forms and subsequently bills the union for those wages (and applicable employer taxes). During the audit you also advised that Local 1279 allows officers and employees who attend to union business on their days off to "bank" these days. In such instances, the officer or employee is not initially compensated by the union or the company for the time spent attending to union business during their off day. Instead, they are allowed to accumulate the personal time they spend doing union business and redeem the time by taking off an equivalent amount of union-paid time off from the company in the future when they would normally be scheduled to work. When an officer or employee chooses to redeem or use this "banked" time, their names are identified on the "lost wage" form submitted to the company along with the number of claimed hours which are to be paid to the officer or employee by the company. Local 1279 then reimburses SCA Tissue for "banked" time used and for all other lost wages. However, there is no distinction on the lost wage forms submitted to SCA Tissue by Local 1279 to identify the officers who are truly losing wages from work to attend to union business on a particular day from an officer or employee who is simply redeeming a banked day.

Local 1279 does not require officers or employees to identify the purpose of the lost wages on the form submitted to the company. During the exit interview, you advised that no other record is created or maintained by the local that identifies the purpose of individual lost wage claims.

Records must be maintained 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. In the case of Local 2-1279, adequate records of "banked" days must also be retained. You advised that Local 1279 will begin to keep a separate record, apart from the lost wage form submitted to the company, that will serve a dual purpose in that it will distinguish the dates officers and employees are truly losing wages from dates when "banked" days are being redeemed, as well as identify the union business conducted on each date when lost wages are incurred.

During the audit, you provided me with a document dated May 1, 2002 that describes the practice of allowing officers and employees to "bank" personal days that are spent working on union business and redeeming those days at a later date. You advised that the document was used only to clarify certain aspects of the practice, such as allowing only two "banked" days to be carried at any given time; however, the practice was never voted on by the executive board or the membership. In November 2010, Local 1279 voted on and passed an amendment to its current bylaw provision governing lost wage claims (Article VII, Section 2) which allows an officer or employee to be compensated by the union for up to eight hours of pay at their straight time hourly rate for union business that is conducted on a scheduled day off, or allows the officer or employee the option to "bank" the time in order to take a scheduled day off from the company and be paid for up to eight hours of straight time on that later date.

Based on your assurance that Local 1279 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

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 Local 1279 gave away watches totaling at least \$3,500 during the year. In addition, Local 1279 also gave away door prizes at the annual Christmas party, totaling more than \$3,700. The type and value of any property received or given away must be identified in the additional information section of the LM report 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."

2. Officer Expenses

Local 1279 failed to report over \$1,300 in meal expenses incurred by officers during executive board meetings and contract negotiations in Item 24 (All Officers and Disbursements to Officers). All of these expenses were paid directly to the restaurants by Local 1279 checks. The check stubs retained in support of these payments show that the

meal expenses were categorized as "Office and Administrative" expenses, and Mr. Schueler confirmed they were reported as such in Item 48 (Office and Administrative) of the LM-3 report.

Most direct disbursements to Local 1279 officers and some indirect disbursements made on behalf of its 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).

3. Interest

Bank records and IRS Forms 1099 maintained by Local 1279 revealed that the local received interest payments totaling \$2,466.55 during 2009; however, Local 1279 reported interest payments of \$4,475 in Item 45 (Interest and Dividends). You indicated that former Treasurer Schueler prepared the LM-3 report, and that you did not know why the interest receipts were erroneously reported.

4. Lost Wage Payments

Local 1279 disbursed over \$70,000 to SCA Tissue for the reimbursement of wages paid to officers and employees who were absent from work to attend to union matters as well as for the redemption of "banked" days of personal time, as described above. During the opening interview, [REDACTED] advised that disbursements to SCA Tissue for wage reimbursements and applicable taxes on behalf of local union officers and employees were included in the amount reported in Item 54 (Other Disbursements). However, these disbursements are considered indirect disbursements to officers and employees which are required to be reported in Item 24 and Item 46 (To Employees). In addition, payments to SCA for the reimbursement of employer taxes related to the wages must be reported in Item 48 (Office and Administrative Expenses).

I am not requiring that Local 1279 file an amended LM report for 2009 to correct the deficient items. During the audit, Treasurer Krautkramer received guidance from OLMS with respect to the reporting of the payments to SCA Tissue on the LM report for 2010. The payments to SCA Tissue for the reimbursement of wages to officers and employees have been correctly reported in Items 24 and 46 of the LM report filed for 2010.

Other Issue

Duplicate Receipts

Members of Local 1279 pay initiation fees as well as fees for t-shirts and other union apparel directly to the union. As mentioned above, Financial Secretary Corry Sokel records these receipts on the deposit tickets, but he does not issue duplicate receipts to members when payments are received. OLMS recommends that Local 1279 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to Steelworkers Local 2-1279 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: Ms. Michelle Krautkramer, Treasurer
Mr. Corry Sokel, Financial Secretary