



January 11, 2011

Mr. Jesse Edwards, President  
Steelworkers Local 2-232  
633 S. Hawley Road, Suite 116  
Milwaukee, WI 53214

Case Number: [REDACTED]  
LM Number: 012283

Dear Mr. Edwards:

This office has recently completed an audit of Steelworkers Local 2-232 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 Financial Secretary Treasurer Ralph Schwieger today, 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 2-232's 2009 records revealed the following recordkeeping violations:

1. Lack of Salary Authorization

Article X, Section 1 of Local 2-232's bylaws contain provisions that identify how salaries paid to the president and financial secretary shall be calculated in the event they are

employed on a full-time basis. Since at least 2009, only the financial secretary treasurer has been employed on a full-time basis. Local 2-232 reported Item 24 (All Officers and Disbursements to Officers) of the Labor Organization Annual Report (Form LM-3) filed for 2009 that former President Scott Godshaw received salary totaling \$32,784. Financial Secretary Treasurer Schwieger advised that Mr. Godshaw retired January 1, 2009, but was authorized to complete his term through March 2010 under the terms of the USW/PACE Merger agreement and by authorization from Local 2-232's executive board and membership. Mr. Schwieger advised the membership also authorized that Mr. Godshaw be paid (as salary) up to 24 hours per week after he retired, and continuing through the end of his term. Though there is some reference in meeting minutes to Mr. Godshaw's employment with Local 2-232 after his retirement, the authorization of the salary paid to Mr. Godshaw after he retired was not adequately documented in union records. Local 2-232 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries.

## 2. Information not Recorded in Meeting Minutes

During the audit, Financial Secretary Treasurer Ralph Schwieger advised OLMS that the executive board is authorized to disburse no more than \$300 per month in between membership meetings. In addition, Mr. Schwieger stated that members are required to authorize all non-recurring expenditures (e.g. travel expenses, lost wages, donations), and that financial reports and trustee audit reports are routinely made at membership meetings. You stated that Article V (Powers of Authorization) of Local 2-232's bylaws requires that disbursements be authorized as noted above. However, meeting minutes contain very few references to authorization of specific disbursements. Records, including meeting minutes, that clarify, verify, and support information required to be reported on Form LM-3 must be retained. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 2-232 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

### Reporting Violation

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 2-232 for the fiscal year ended December 31, 2009, was deficient in that:

#### Disbursements to Officers

Local 2-232 did not include some reimbursements to Mr. Ralph Schwieger totaling at least \$560 in the amounts reported Item 24 (All Officers and Disbursements to Officers). The general ledger shows two checks totaling that amount were disbursed to Mr. Schwieger to replenish the petty cash fund. However, nothing is reported as having been paid to Mr. Schwieger in Colum E

(Allowances and Other Disbursements). It appears these payments were erroneously reported in Item 48 (Office & Administrative Expenses).

Most direct disbursements to Local 2-232 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).

I am not requiring that Local 2-232 file an amended LM report for 2009 to correct the deficient items, but Local 2-232 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issue

##### Use of Signature Stamp

During the audit, Mr. Schwieger advised that it is Local 2-232's practice for him to sign all union checks and to stamp your signature on union checks. Mr. Schwieger indicated only he reviews the checks before they are issued. Article VIII of Local 2-232's bylaws requires that checks be signed by the president and treasurer. 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. However, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 2-232 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Steelworkers Local 2-232 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: Mr. Ralph Schwieger, Financial Secretary Treasurer