



November 24, 2010

Mr. Robert Sowatzke, President
Steelworkers Local 324
1284 Lakeview Lane
Menasha, WI 54952-1328

Case Number: [REDACTED]
LM Number: 044417

Dear Mr. Sowatzke:

This office has recently completed an audit of Steelworkers Local 324 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 and Financial Secretary Treasurer Duane Luneau on November 4, 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 324's 2009 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 324 did not require officers and employees to submit itemized receipts for approximately \$1,851 in meal expenses. The only documentation retained in support of meal expenses were the copies of the credit card signature receipts which did not itemize what was purchased during the meal, and there were no receipts found for three meals. The union must maintain itemized receipts provided by restaurants to officers and employees. 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 324 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, the receipt in the amount of \$60 maintained for a meal at Zacatecas Restaurant in Neenah, WI on June 22, 2009 does not include the names and titles of the union officers who attended. The union's check register indicates that this meal was for a board lunch paid for by you. You were reimbursed with check number 1131 dated June 23, 2009 made payable to you in the amount of \$60. Union 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.

2. Receipt Dates not Recorded

Entries in Local 324's 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 Labor Organization Annual Report (Form LM-3). The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually 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.

3. Lack of Salary Authorization

Local 342 did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. In the case of Local 342, disbursements records show that officers receive annual salaries in the amounts as follows: treasurer - \$1,137.50, president - \$800, vice president - \$700, recording secretary - \$650 per year, chief steward - \$200. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries. During the audit Treasurer Duane Luneau mentioned that he was not sure when authorization of the original salaries paid to officers occurred because the minutes covering the meeting during which this occurred could not be found, but approximately 10 years ago a motion during a union meeting was made and approved by the membership to increase the salaries to their current level.

Based on your assurance that Local 324 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 (Form LM-3) filed by Local 324 for fiscal year ending

December 31, 2009, was deficient in the following area:

Disbursements to Officers

Local 324 did not include some reimbursements to officers totaling at least \$3,472 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). Form LM-3 filed by Local 324 for the fiscal year ended December 31, 2009 reports a zero in Item 24 column E (Allowances and Other Disbursements) for each officer. However, direct disbursements to some officers for the reimbursement of meal and other expenses were made. It appears the union erroneously reported these payments in Item 55 (Other Disbursements).

The union must report most direct disbursements to Local 324 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).

Local 324 must file an amended Form LM-3 for fiscal year ending December 31, 2009 to correct the deficient item discussed above. I have included a blank form and instructions for your use in filing the amended report. Reporting forms and instructions are also available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than November 29, 2010. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to Steelworkers Local 324 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. Duane Luneau, Financial Secretary Treasurer