



July 17, 2012

Mr. Phillip Linn, Financial Secretary
Steelworkers, AFL-CIO
Local Union 5429
1116 East State Street
Olean, NY 14760

Case Number: [REDACTED]
LM Number: 044-240

Dear Mr. Linn:

This office has recently completed an audit of Steelworkers Local 5429 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 President Leo Reynolds, Treasurer Carl Stone and you on July 12, 2012, 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 5429's 2011 records revealed the following recordkeeping violations:

1. General Expenses

Local 5429 did not retain adequate documentation for reimbursed expenses and other disbursements totaling at least \$390. For example, there was no receipt for the Dollar Store for \$32.40 reimbursed to Financial Secretary Phillip Linn. In addition, there was no

sufficient receipt for Premo Services for \$360.24. Only the reservation printout with handwritten amounts was retained.

As 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.

2. Meal Expenses

Local 5429 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$340. 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 5429 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, a training lunch was reimbursed to [REDACTED] for \$260 which provided very little detail. In addition, there was no itemized receipt for a lunch reimbursed to Vice President James Johnston for \$47.06. 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.

3. Reimbursed Auto Expenses

Union officers and employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$150 during 2011. 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.

4. Lost Wages

Local 5429 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees on several occasions. 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 Local 5429 retained a handwritten and computer generated voucher for each reimbursement, however the union did not always record the reason for the loss, i.e. the union business conducted, or the correct dates for the lost hours.

Based on your assurance that Local 5429 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issue

Advancement of Wages

The OLMS audit found that on several occasions throughout the period, Local 5429 would advance payment to union officers and employees seeking compensation for lost time hours and mileage. Officers and employees received wages for lost time to conduct union business prior to actually losing such hours from the employer.

Although the local union maintained records to support such payments, advances, including salary and lost wages, may be considered loans to officers which need to be reported as such on the LM-3 unless certain conditions are met. Please refer to the LM-3 instructions for additional information on these conditions.

OLMS recommends that Local 5429 adopt a clear, written policy regarding lost wages, in that wages can only be claimed after lost time hours were actually lost from the employer to conduct union business.

I want to extend my personal appreciation to Steelworkers Local 5429 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: Leo Reynolds III, President
Carl Stone, Treasurer