



August 24, 2015

Mr. Michael Deardorff, Financial Secretary
Steelworkers Local 7687
PO Box 128
Spring Grove, PA 17362-0128

Case Number: 140-6004032()
LM Number: 067404

Dear Mr. Deardorff:

This office has recently completed an audit of Steelworkers Local 7687 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 August 24, 2015, 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 7687's 2014 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 7687 did not retain adequate documentation for reimbursed expenses incurred by union officers and employees totaling at least \$4,200. For example, President Neil Bailey

used his personal credit card to book a hotel room for the negotiations committee to meet in during contract negotiations. President Bailey submitted his credit card bill with an expense voucher to be reimbursed by the local. A credit card bill is not adequate backup documentation. An original receipt/invoice is required to be retained for expense reimbursement.

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 7687 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$1,300. 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 7487 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. 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 mileage did not retain adequate documentation to support payments to them totaling at least \$1,300 during 2014. 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 7687 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees totaling at least \$130,000. 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 7687, did not retain a document that could be used to verify the union purpose or hourly rate of pay for any lost time payment made during fiscal year 2014.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 7687 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

Based on your assurance that Local 7687 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

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 Labor Organization Annual Report (Form LM-2 / LM-3) filed by Local 7687 for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Incorrect LM Form Submitted

Local 7687 submitted a Form LM-2. Labor organizations, such as Steelworkers Local 7687, with total annual receipts less than \$250,000 are required to submit Form LM-3.

2. Disbursements to Officers

Local 7687 did not include some reimbursements to officers totaling at least \$130,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Schedule 15 of the incorrectly submitted LM-2.

The union must report most direct disbursements to Local 7687 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 7687 filed an amended Form LM-3 for the fiscal year ended December 31, 2014 to correct the deficient items discussed above.

I want to extend my personal appreciation to Steelworkers Local 7687 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

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we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Mr. Carroll Waltmyer, Treasurer
Mr. Dana Edsall, President