



February 28, 2012

Mr. David Phelps, President  
Steelworkers Local 8149

Case Number: [REDACTED]  
LM Number: 070738

Dear Mr. Phelps:

This office has recently completed an audit of Steelworkers Local 8149 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 Karl Petersen on February 14, 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 8149's 2010 records revealed the following recordkeeping violations:

1) Receipt Dates not Recorded

Local 8149 recorded its receipts in both QuickBooks financial software and in Microsoft Excel spreadsheets which the local refers to as the "Master Cashbook." Entries in QuickBooks reflect the date that money was deposited but not the date money was received.

Entries in the union's "Master Cashbook" do not identify the dates monies were received or deposited. The only entries recorded in the cashbook are the amounts paid and the sources of the receipts. 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 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. Local 8149 must take steps to ensure that the dates of all receipts are properly recorded in union records.

## 2) Fixed Assets

Local 8149 failed to retain any records that identify its fixed assets. The union reported \$4,583 in fixed assets in Item 29(a) and 29(b) (Fixed Assets at the start and end of the reporting period) of the LM-3 report filed for fiscal year ended December 31, 2010. You stated that the figures reported were carried over from previous year's reports, and that the amounts reported were not based on any specific union records.

The LM-3 instructions for Item 29 require that you report the book value at the start and end of the reporting period of all fixed assets, including land, buildings, automobiles, and office furniture and equipment. The book value of fixed assets is cost less depreciation. Where a labor organization expenses its fixed assets when purchased, the manner of reporting such assets will be different from that of an organization which computes depreciation of its fixed assets over a period of time. A union which expenses its fixed assets must list in Item 29 the estimated fair market value of the fixed assets.

During the audit, you advised that Local 8149's fixed assets include only a laptop computer at the present time. However, during the exit interview, you advised that Local 8149 does not have a current inventory of its fixed assets but you agreed that the local would create such an inventory and maintain the list by adding new purchases and removing old equipment that has been sold, donated or destroyed.

## 3) Dates of some Checks / Disbursements not accurately recorded

During the audit, Financial Secretary Petersen advised that while he is responsible for entering checks and other bank withdrawals in QuickBooks, Treasurer Mark Faulds prepares handwritten checks. A comparison of the cancelled checks to the corresponding disbursement entries in QuickBooks revealed that the dates written on the checks are not consistent with the dates recorded in QuickBooks. In addition, Local 8149 also records the amount and payee of each check in the Master Cashbook; however, the check dates are not recorded in that record and instead are only recorded and summarized by the month in which the checks are written. You stated that the financial secretary generally uses the Master Cashbook to identify receipts and disbursements information reported on Local 8149's LM-3 report.

Failure to record the correct date of union disbursements in accounting records used to prepare the LM-3 report could result in disbursements being reported in the wrong year. Local 8149 must take steps to ensure that the dates of all checks and other disbursements are properly recorded in union records.

#### 4) Supporting Records for Disbursements

Local 8149 failed to retain adequate documentation to support payments totaling more than \$1,800 to third party vendors such as the United Steelworkers International Union, Intuit, and Brown's Floral. The union either failed to retain any documentation at all for disbursements to these vendors, or the documentation retained was inadequate in that it did not identify the union business purpose of the disbursements.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

#### 5) Lack of Salary Authorization

Local 8149 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and were therefore correctly reported. During the audit year, officers received monthly salaries in amounts between \$63 and \$125. You and two other officers received multiple salaries because you simultaneously held positions on the executive board and grievance committee. Local 8149's bylaws do not specifically identify the authorized salary amounts, nor do they contain a specific provision regarding the collection of more than one salary for officers who hold multiple positions. You advised that the current salaries paid to officers were in place well before you took office in 2006 and were likely authorized by the membership at a membership meeting before you took office; however, you were unable to locate meeting minutes or other documentation authorizing the current salary amounts.

You advised that following exit interview, Local 8149's membership authorized the current salaries paid to officers. The authorization and specific salary amounts were documented in the membership meeting minutes for the February 2012 membership meeting.

#### 6) Meal Expenses

During the audit, you advised that the Local 8149 generally follows the provisions of the USW policy for "Reimbursement for Travel Expenses" which is handed out at the USW annual financial training for local union officers. This document includes a provision for "daily expenses". The policy provides that when "stay is not overnight, up to a maximum of \$30.50 per day, receipt required." The audit revealed that Local 8149 officers did not travel

overnight during 2010 but incurred expenses for meals in Mequon, Port Washington and Brown Deer totaling more than \$500.

Local 8149 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$300 of the more than \$500 in expenses incurred. 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.

In addition, Local 8149's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring or receiving the benefit of the restaurant charges. For example, check #7784 to you included reimbursement of \$52.03 for a meal expense incurred at Habanero's in Brown Deer on May 5, 2010. However, the documentation failed to identify the union business purpose or the names and titles of those present for the meal.

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.

#### 7) Reimbursed Auto Expenses

Union officers who received reimbursement for the business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$300 during 2010. Officers are required to submit a lost wage and expense voucher documenting their expenses, including mileage. Although vouchers were prepared for mileage reimbursements that identified the amounts claimed and the number of miles driven, the vouchers failed to identify the locations traveled to and from.

Local 8149 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.

Based on your assurance that Local 8149 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 LM-3 filed by Local 8149 for the fiscal year ended December 31, 2010 was deficient in the following areas:

1) Interest Income (Item 41)

Bank records for Local 8149's checking account and certificates of deposits reflect that the union earned interest on its accounts totaling \$2,858 during 2010; however, only \$2,822 was reported in Item 41 (Interest). During exit interview, you advised that the 2010 LM report was prepared by a former officer of the local and you were not certain why the amount reported is less than the total amount the union earned during the year.

All interest income received from savings accounts, bonds, mortgages, loans, investments, and all other sources is required to be reported in Item 41.

2) 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 8149 gave away gift cards totaling more than \$1,450 during the year at monthly membership meetings and the holiday party. 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."

I am not requiring that Local 8149 file an amended LM report for 2010 to correct the deficient items, but Local 8149 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Steelworkers Local 8149 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. Karl Petersen, Financial Secretary  
Ms. Elizabeth Herrick, Vice President  
Mr. Mark Faulds, Treasurer