



January 5, 2011

Mr. Steven Petoletti, President
United Steelworkers Local 970
7137 Morris Thomas Road
Cloquet, MN 55720

Case Number: [REDACTED]
LM Number: 054893

Dear Mr. Petoletti:

This office has recently completed an audit of United Steelworkers Local 970 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 Secretary-Treasurer Patty Harper on November 19, 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 970's 2009 records revealed the following recordkeeping violation:

General Expenses

Local 970 generally retained receipts and vouchers to support each disbursement; however, the audit revealed that no supporting documentation was retained for a few disbursements. For example, the local spent \$96 on a post office box but did not retain any supporting documentation for the expense. During the audit you stated that you failed to obtain a receipt from the post office.

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.

As agreed, provided that Local 970 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these 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-3) filed by Local 970 for the fiscal year ended December 31, 2009, was deficient in the following areas:

1. Certificates of Deposit Reported as Investments and Cash Reconciliation Problem

Local 970 improperly reported the value of four certificates of deposit (CDs) as investments in Item 28 (Investments). Further, Local 970 erroneously reported \$40,895 in Item 42 (Sale of Investments and Fixed Assets) related to the rollover of CD's during the year. It also appears that the amount reported in Item 54 (Other Disbursements) erroneously includes funds from the redemption of CDs that were transferred to another union bank account. During the audit, you advised that the local has a checking account, savings account and four CDs. Bank statements from Corner Stone State Bank indicate that a few CDs were redeemed during the audit period and the money was transferred to the checking account, savings account, or used to open new CDs. The LM-3 instructions for Item 25 (Cash) state that funds to be included in Item 25 are cash on deposit in "checking accounts, savings accounts, certificates of deposit, and money market accounts," so the value of the CDs should have been included in the amount reported in item 25 and not item 28. Further, the purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, these transactions should not be reported as receipts or disbursements on the LM-3.

Because the CDs were reported as investments and the redemption of CDs was reported as a receipt in Item 42, the cash figures reported on the LM-3 do not reconcile by \$1,875. Specifically, cash at the start of the reporting period in Item 25A plus total receipts in Item 44 minus total disbursements in Item 55 does not equal cash at the end of the reporting period in Item 25B. See the worktable below.

\$2,153 Cash- Start of Reporting Period (Item 25(A))

+	\$52,335	Total Receipts (Item 44)
=	\$54,488	Total
-	\$67,411	Total Disbursements (Item 55)
=	-\$12,923	Ending Cash per Computation
vs	<u>\$11,047</u>	Cash- End of Reporting Period (Item 25(B))
	-\$1,876	Difference

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 970 gave away gift certificates at membership meetings totaling at least \$240. 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."

Local 970 must file an amended Form LM-3 for the fiscal year ended December 31, 2009, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are 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 January 21, 2011. 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 United Steelworkers Local 970 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: Ms. Patty Harper, Secretary-Treasurer