



May 27, 2010

Mr. Michael Roche, President
United Steelworkers Local 8938
14 Carriage Way
Unit 1
Manchester, NH 03102-8438

Case Number: |||
LM Number: 514-634

Dear Mr. Roche:

This office has recently completed an audit of USW Local 8938 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, Vice President Michael Olmstead, and Financial Secretary Kevin Monahan on May 24, 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 8938’s 2008 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 8938 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by President Michael Roche and Vice President Michael Olmstead totaling at least \$6,000. For example, registration fees for a labor law conference, hotel fees for conferences, and other conference expenses were lacking adequate documentation.

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 8938 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$190. 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 8938 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, three meal expenses of the union did not include written explanations for the 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. Lost Wages

Local 8938 did not retain adequate documentation for lost wage reimbursement payments to Ronald Champagne totaling at least \$500. 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 8938, retained adequate documentation for all lost wage reimbursements except one payment to Ronald Champagne was lacking a union voucher to identify the number of hours lost and the applicable rate of pay.

4. Disposition of Property

Local 8938 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items.

5. Information not Recorded in Meeting Minutes

Article V Section 4(e) of the Standard By-laws for Local Unions of the United Steelworkers dated July 2006 (with 2008 Changes to Standard By-laws for Local Unions) requires that the Financial Secretary make a detailed financial report at least one a month at the Local Union meeting covering the receipts and expenditures of all funds of the Local Union. Also, Article V Section 5(c) requires that all money paid out by the Local Union from its treasury be approved by the members at a Local Union meeting. However, the minutes of the meeting do not contain any reference to those issues. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 8938 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-3) filed by Local 8938 for fiscal year ending December 31, 2008 was deficient in that:

Reporting of Receipts and Disbursements

Local 8938 under-reported receipts by \$1,170 and under-reported disbursements by \$1,170 on their LM Report. The Statement B instructions state that receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization.

I am not requiring that Local 8938 file an amended LM report for 2008 to correct the deficient items, but Local 8938 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Retention of Voided Checks

Local 8938 did not retain all checks voided by the local during the audit year. All voided checks should be retained by the local. OLMS recommends Local 8938 review these procedures to improve internal control of union funds.

2. Conducting Audits

According to Article V, Section 8 of the Standard By-laws of Local Unions for United Steelworkers: “[The Trustees] shall audit the books and financial records of the local union every three months and give a report of such audit at the next regular local union meeting.” Currently, Local 8938 is not having its books and financial records quarterly audited. OLMS recommends Local 8938 remain in compliance with Article V, Section 8 of the Standard By-laws of Local Unions for United Steelworkers.

I want to extend my personal appreciation to USW Local 8938 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,

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Investigator

cc: Mr. Michael Olmstead, Vice President
Mr. Kevin Monahan, Financial Secretary