



October 6, 2011

Mr. Franklin J. Troyer, President
Steelworkers, AFL-CIO, Local 12273
22117 CR 10 East
Elkhart, IN 46574

Case Number: [REDACTED]
LM Number: 039-005

Dear Mr. Troyer:

This office has recently completed an audit of Steelworkers, AFL-CIO, Local 12273 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, Financial Secretary Earl Fizer, and Treasurer Thomas Secor on September 23, 2011, 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 12273's 2008 records revealed the following recordkeeping violations:

1. Failure to Record Receipt Source

Local 12273 did not record in its receipts records the source of two checks totaling \$2,000.00 that appeared to have been received from an affiliated labor organization as a scholarship reimbursement. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

2. Lack of Supporting Documentation

Adequate supporting documentation was not maintained for the purchase of a laptop computer and a laptop carrying case totaling \$569.22. Local 12273 only maintained a photocopy of the vendor receipt as opposed to the original receipt.

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.

3. Lack of Salary Authorization

Local 12273 did not maintain records to verify that the salaries and lost time disbursements reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

The union must also keep a record, such as meeting minutes, to show the methodology by which lost time payments are calculated and paid. For example, Local 12273 added an additional 8% to 16% to officer and employees' gross lost time to reimburse the members for lost vacation pay from their employer and employer-match 401K contributions. Also, a review of lost time records maintained by the union and employer indicated that officers and employees received lost time compensation from the union at straight time and overtime rates despite union officers and employees not being listed in employer records as refusing overtime hours or missing work in order to attend to union business. The union must keep a record, such as meeting minutes, that show officers and employees are authorized to be reimbursed for attending to union business despite not losing straight time or overtime hours at work.

Based on your assurance that Local 12273 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 filed by Local 12273 for the fiscal year ended December 31, 2008, was deficient in the following areas:

1. Number of Members

Item 20 (How many members did your organization have at the end of the reporting period?) was reported as 0; however, a review of employer dues check-off reports for December 2008 revealed that the union actually had approximately 213 dues paying members at the end of the reporting period. The Form LM-2 instructions state that Item 20 will automatically be populated with the membership totals that are entered into Schedule 13 (Membership Status Information) provided that such members pay union dues.

2. Certificates of Deposit and Savings Account Reported As Investments

Local 12273 improperly included the value of a certificate of deposit and a money market savings account as an investment in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit and money market savings accounts to be cash. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements.

3. Cash Reconciliation

It appears that the cash figures reported in Item 22(A) (Start of Reporting Period Cash) and Item 22(B) (End of Reporting Period Cash), when added to the certificate of deposit and money market savings balances that were reported in Item 26 (Investments), are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 22 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements. Based on the audit of your union's records, Item 22(A) (Start of Reporting Period Cash) should have been reported as \$104,781.00, Item 49 (Total Receipts) should have been reported as \$103,069.00, Item 68 (Total Disbursements) should have been reported as \$111,778.00, and Item 22(B) (End of Reporting Period Cash) should have been reported as \$96,072.00.

4. Failure to Report Value of Investments

The audit revealed that the union failed to report the value of 200 shares of stock in Item 26(A) (Start of Reporting Period Investments) and 26(B) (End of Reporting Period Investments). The approximate market value of the stock at the start of the year was \$18,383.07 and the approximate market value at the end of the reporting period was \$11,335.49. The Form LM-2 instructions state that marketable securities must be reported

at their book value, which is lower of cost or market. Upon review of prior year Form LM-2s, it appears that the union has historically and consistently reported the book value of the 200 shares of stock as \$1,150.00.

5. Interest and Dividends

Local 12273 miscategorized \$2,626.00 in bank account interest as dividends (Item 41) when such receipts should have been reported in Item 40 (Interest). The audit also revealed that approximately \$327.00 in stock dividend receipts were not reported in Item 41 (Dividends) even though the Form LM-2 instructions require that dividends from stocks and other investments received by a labor organization must be reported in Item 41.

6. Other Receipts

The audit revealed that Local 12273 received approximately \$2,500.00 in receipts from an affiliated labor organization for scholarship reimbursements, but such receipts do not appear to have been reported on the Form LM-2. The Form LM-2 instructions state that receipts that cannot be reported elsewhere in Statement B (Receipts and Disbursements) must be reported in Item 48 (Other Receipts).

7. On Behalf of Affiliates for Transmittal to Them

Local 12273 reported \$30,343.00 in Item 46 ([cash receipts] On Behalf of Affiliates for Transmittal to Them) even though a review of the union's records revealed that Local 12273 did not receive any dues, fees, fines, assessments, or work permit fees on behalf of affiliates.

8. Disbursements to Officers and Employees (LM-2)

Local 12273 did not include some reimbursements to officers that were necessary for conducting union business totaling at least \$2,315.00 in Schedule 11 (All Officers and Disbursements to Officers) Column F (Disbursements for Official Business). It appears that the local erroneously reported these payments in Schedules 11, Column D (Gross Salary Disbursements).

The union must report in Column F of Schedule 11 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedule 11 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedule 11 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

9 Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 12273 amended its constitution and bylaws in 2009, but did not file a copy with its LM report for that year.

Local 12273 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 12273 file an amended LM report for 2008 to correct the deficient items, but Local 12273 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 12273 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. Earl Fizer, Financial Secretary
Mr. Thomas Secor, Treasurer