

U.S. Department of Labor

Office of Labor-Management Standards
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October 19, 2010

Mr. Dennis DeMeyer, President
United Steelworkers Local 2-15
P.O. Box 1004
Rhineland, WI 54501

Case Number: [REDACTED]

LM Number: 514346

Dear Mr. DeMeyer:

This office has recently completed an audit of United Steelworkers Local 2-15 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 Treasurer Eugene Gildner, Financial Secretary Jim Paulman, Vice President Rich McAllister, Trustees John Paszak and Kim Bessett, and you on October 8, 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 2-15's 2009 records revealed the following recordkeeping violations:

1. Inventory of Fixed Assets

Local 2-15 did not maintain a record that identified all of its fixed assets or other property. Treasurer Gildner provided during the audit a sheet of paper which identified several computers and a printer assigned to you, himself, the financial secretary, and the vice president, along with their cost and date purchased. Although this document was provided, it was not sufficient because (1) Treasurer Gildner stated that the union also has a typewriter and that there also is a computer assigned to the recording secretary, (2) the audit revealed that Local 2-15 purchased a shredder, an office chair, and bulletin board during 2009, and (3) it did not identify the value of the items at the beginning and end of the year.

The value of any fixed assets on hand at the beginning and end of each year must be reported in Item 29 (Fixed Assets) of the Labor Organization Annual Report (Form LM-3) filed by Local 2-15. Local 2-15, therefore, must maintain an inventory or similar record of all fixed assets and the value at the start and end of each reporting period to verify, clarify, and explain the information that must be reported in Item 29.

2. Failure to Record Receipts

Local 2-15 did not record in its receipts records interest totaling \$117.36 earned on one of its certificates of deposit at Baraboo National Bank. The bank provided information showing the interest was paid on August 18, 2009, but the treasurer's journal did not reflect the receipt of this interest and there was no copy of the bank's interest payment notice in the union's records. Receipts records must include an adequate identification of all money received. The records should show the date and amount received, and the source of the money.

3. Receipt Dates not Recorded

Financial Secretary Paulman prepares receipts that identify the dates that he receives some payments from members for initiation fees and receipts that identify the dates and amounts of monies he provides to Treasurer Gildner. However, he stated that he does not prepare receipts for dues checkoff checks from Wausau Paper Corporation and does not record the dates that those payments were received in any union record. The audit disclosed that the treasurer's journal identifies the amount and source of each dues checkoff check that was deposited, as well as the deposit date. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the 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. (This is discussed further below in Item 5.) Local 2-15 could satisfy LMRDA recordkeeping requirements for receipts by recording all monies received on duplicate receipts (with the dates that monies were received) or could identify the date of each receipt in the treasurer's journal or another record.

Based on your assurance that Local 2-15 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 2-15 for the fiscal year ended December 31, 2009, was deficient in the following areas:

1. Create or Participate in Administration of Trust or Other Fund

Item 11 asks whether the union created or participated in the administration of a trust or other fund or organization, as defined in the instructions (and in the LMRDA), which provides benefits for members. The LMRDA defines a "trust" in which a labor organization is interested" as "a trust or other fund or organization (1) which was created or established by a labor organization, or one or more of the trustees or one or more members of the governing body of which is selected or appointed by a labor organization, and (2) a primary purpose of which is to provide benefits for the members or their beneficiaries." Item 11 was answered "yes," and the trust was identified as a "short term disability policy." However, the audit disclosed that Local 2-15 makes payments to an insurance company that provides short term disability payments to members, but that the relationship the union has with the insurance company does not meet the definition of a trust for LM reporting purposes.

2. Fixed Assets

As discussed in the recordkeeping section above, Local 2-15 had fixed assets during 2009 which included several computers, a printer, an office chair, and other items. The inventory sheet provided, as well as the treasurer's journal, showed that computers totaling \$3,192 were purchased in July, October, and December 2009, and other fixed assets totaling \$169 were purchased in October 2009—all items having some apparent value at the end of the reporting period. However, no amount was reported at the end of the year in Item 29 (Fixed Assets). The Item 29 instructions state to report the book value at the start and end of the reporting period of all fixed assets.

3. Other Assets

Local 2-15 failed to report unused gift certificates on hand at the beginning and end of the reporting period, as well as a pre-paid balance for meeting room rental at the Claridge Motor Inn, in Item 30 (Other Assets). Treasurer Gildner stated that Local 2-15 purchases \$20 "Chamber Bucks" gift certificates in bulk to have on hand for membership meetings where at least two are given away at each meeting. His monthly journal contains a list of all gift certificates purchased, by certificate number, and each month he enters the names of the winners after the respective certificate number. The December 2008 journal shows at least one \$20 gift certificate on hand after the December 2008 meetings, and the December 2009

journal identifies 24 \$20 certificates on hand after the December 2009 meetings. The pre-paid balance for meeting room rental was identified as \$881.60 on a December 31, 2009 invoice from the hotel. However, nothing was reported in Item 30. The LM-3 instructions for Item 30 state to enter the total value as shown on your organization's books at the start and end of the reporting period of all assets (such as accounts receivable or utility deposits) which have not been reported in any other asset item on the LM.

4. Accounts Payable

Item 32 (Accounts Payable) indicates that Local 2-15 had an accounts payable obligation of \$156,266 at the beginning of the year and \$138,127 at the end of the year. The LM-3 instructions for Item 32 state to report your organization's accounts payable (obligations incurred on an open account for goods and services) at the start and end of the period. No such obligations were identified during the audit. These figures appear to be an erroneous duplication of the figures entered in Item 25 (Cash).

5. Dues Receipts

Financial Secretary Paulman stated that he received dues checks from Wausau Paper in December 2008 and December 2009 which he provided to Treasurer Gildner in January 2009 and January 2010, respectively. Treasurer Gildner stated that it is his practice to then deposit the dues checks, make an entry in his treasurer's journal based on the date of deposit, and then prepare the LM report based on the entries in his treasurer's journal. Since the payments were recorded by Treasurer Gildner in a different year than when they were initially received by the union and the LM-3 is based on the treasurer's records, the amount of dues receipts reported in Item 38 (Dues) on the 2009 LM-3 is incorrect because it includes two 2008 Wausau Paper dues checks (those issued on 11/20/08 and 12/11/08 totaling \$15,093) and excludes a December 2009 Wausau Paper dues check (issued on 12/14/2009 for \$15,255).

The LM-3 instructions for Item 38 state to report the total dues "received" by your organization during the reporting period. Dues received during one reporting period should not be reported during a subsequent period even though the dues may have been deposited in a subsequent period.

6. Failure to Properly Report Initiation Fees

Receipts records maintained by Local 2-15 indicate that at least \$180 in initiation fees was received during the year by Financial Secretary Paulman, yet zero is reported in Item 40 (Fees, Fines, Assessments and Work Permits). The LM instructions state to enter in Item 40 your organization's receipts from fees, fines, assessments, and work permits.

7. 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

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changes to its constitution or bylaws. Local 2-15 amended its bylaws in 2006, and this document indicates it was approved by the International President in 2008, but LM-3 reports filed with OLMS between 2006 and 2009 indicate "no" in response to Item 21 (During the reporting period did the labor organization have any changes in its constitution and bylaws?), and the bylaws were never filed.

Local 2-15 has now filed a copy of its bylaws.

I am not requiring that Local 2-15 file an amended LM report for 2009 to correct the deficient items, but Local 2-15 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to United Steelworkers Local 2-15 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,

[REDACTED]

Investigator

cc: Mr. Eugene Gildner, Treasurer
Mr. James Paulman, Financial Secretary