



October 18, 2011

Mr. Christopher Knasinski, President
Steelworkers Local 2-3205
[REDACTED]
Milwaukee, WI 53207

Case Number: [REDACTED]
LM Number: 008954

Dear Mr. Knasinski:

This office has recently completed an audit of Steelworkers Local 2-3205 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 Brian Olszewski and Financial Secretary William Vander Heyden on October 7, 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 2-3205's 2010 records revealed the following recordkeeping violations:

1. Lost Wages Reimbursements & Payments for Personal Time for Conducting Union Business

Local 2-3205 did not retain adequate documentation for lost wage reimbursements and payments for personal time worked for conducting union business to you and the four other officers of the executive board, totaling at least \$4,800. Local 2-3205 reimburses officers

and employees for lost wages and also compensates them for personal time worked for conducting union business. Records must be maintained in support of lost wage claims and personal time payments that identify each date lost wages were incurred or personal time wages were earned, the number of hours lost or worked on each date, the applicable rate of pay, and a description of the union business conducted. The audit found that Local 2-3205 maintained a document prepared by you that contained only the number of hours claimed by each officer, but did not include the dates, rate of pay, or identify the business conducted or work performed. During the exit interview, I provided the compliance tip, *Union Lost Time Payments*, which identifies the type of information and documentation that the local must maintain for lost wages.

2. Receipt Dates Not Recorded

Entries in Local 2-3205's general ledger only identify the amounts and sources of money received. Receipt records must show the date, amount, and source of all receipts. The date of receipt is required to be recorded in union records 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 the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts on the LM-3 for a different year than the year it actually received them.

3. Other Expenses

Adequate documentation was not retained for some disbursements related to hall rentals, refreshments, and professional fees totaling at least \$1,000. For example, the entry in the memo column of the general ledger in December 2010, shows Local 02-3205 paid \$400 to an accountant to "fix books." However, no supporting documentation was retained in support of that expense. As another example, the general ledger shows at least \$450 was disbursed for refreshments and "rent" to the local VFW hall for which no supporting documentation was retained. The only record retained for these disbursements are check stubs and entries in the general ledger. As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements.

4. Lack of Salary Authorization

The executive board of Local 2-3205 received salaries of \$100 per month. In addition, the executive board members each received an additional \$100 per quarter for a "steward expense," which officers indicated was an additional salary. The records reflect that these payments for officer and steward salaries were included in the amounts reported in Column D (Gross Salary) of the LM-3. However, Local 2-3205 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. Your local uses the uniformed *Bylaws for Local Unions* provided by your parent body. Article VI, Section 1 of your uniform bylaws requires states, "Salaries and expenses for Officers and

Employees of this Local Union shall be as follows. [Insert in this section the amount of salaries and expenses.]” You stated Local 2-3205 has never inserted the amount of salaries and expenses in this section of the bylaws. Further you stated, Local 2-3205 has no written or oral authorization for salaries, and the current salary levels are based on a longstanding practice of the Local. Local 2-3205 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual with the authority to establish salaries. During the exit interview, I provided the compliance tip, *Authorization of Salary and Paid Leave for Union Officials*, which identifies the type of information and documentation that the local must maintain for salaries.

Based on your assurance that Local 2-3205 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 2-3205 for the fiscal year ended December 31, 2010, was deficient in that:

Disbursements to Officers

Local 2-3205 did not include some reimbursements to officers totaling at least \$200 in the amounts reported Item 24 (All Officers and Disbursements to Officers). Local 2-3205’s general ledger indicates that at least four officers won cash door prizes during the audit year. However, nothing is reported in Column E (Allowances and Other Disbursements) of Item 24. Entries in the general ledger indicate these items were erroneously reported in Item 51 (Contributions, Gifts, and Grants).

Disbursements for occasional non-cash gifts of insubstantial value need not be included in Column E if reported in Item 51 (Contribution, Gifts, and Grants). However, most direct disbursements to Local 2-3205 officers and some indirect disbursements made on behalf of its officers must be reported in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

I am not requiring that Local 2-3205 file an amended LM report for 2010 to correct the deficient item, but Local 2-3205 has agreed to properly report the deficient item on all future reports it files with OLMS.

Other Violation

Failure to File LM-3 Report by the Due Date

The audit disclosed a violation of LMRDA Section 201(b), which requires the president and treasurer, or corresponding principal officers, of each labor organization to file an annual financial report accurately disclosing the union's financial condition and operations within 90 days after the end of the labor organization's fiscal year. Local 3205's fiscal year ends on December 31st, and it must file its annual financial report by March 31st of each year (or March 30th during a leap year). However, the 2010 report was actually filed on April 18, 2011, 18 days after the due date. You agreed Local 2-3205 will file timely reports with OLMS in the future. Please be aware that Section 209 and 2010 of the LMRDA provide for criminal and civil penalties for willful failure to file.

Other Issue

Policy for Payments for Personal Time for Conducting Union Business

You advised at the opening interview that Local 2-3205 pays wages to officers and employees for any wages lost while conducting union business and also for personal time working for the union. You stated that officers receive salaries of \$100 per month which is intended to compensate them for "holding union office." You stated that officers are also entitled to additional compensation for personal time worked for conducting union business at the reduced wage rate of \$13.50 per hour. You stated that you typically authorize each executive board member to be compensated at least three hours per month to complete their duties. In addition, you advised that you, not the membership, authorize compensation for payments for personal time worked. You advised that this is an unwritten policy that the local has been operating under for many years. OLMS recommends that your union adopt written guidelines for the disbursements for personal time and lost wages as such policies can help ensure effective control over union finances.

I want to extend my personal appreciation to Steelworkers Local 2-3205 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. Brian Olszweski, Treasurer
Mr. William Vander Heyden, Financial Secretary