



~~June 26, 2008~~

Mr. Mark Trout, President
Steelworkers, AFL-CIO
Local 2-513
10410 Matthews Highway
Tecumseh, MI 48506

Re: Case Number [REDACTED]
LM File Number: 006-687

Dear Mr. Trout:

This office has recently completed an audit of Steelworkers Local 2-513 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 Financial Secretary Kim Meggison on June 23, 2008, 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 2-513's 2007 records revealed the following recordkeeping violations:

1. Lost Wages

Local 2-513 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling \$3,913.57. 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 2-513 failed to maintain all records relating to the lost time payments. During the exit interview, I provided a sample of an expense voucher that identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

The audit also disclosed that the union does not have a clear policy that identifies the specific circumstances under which lost time may be authorized to be incurred. The lack of a detailed lost time policy and the union's failure to keep all records to support the lost time payments prevented OLMS from verifying that the payments that must be included in Item 18 (Payments to Officers and Employees) of Local 2-513's Labor Organization Annual Report (Form LM-4) are the authorized amounts and, therefore, will be correctly reported. The union must keep a record, such as meeting minutes, to show the current lost time policy authorized by the entity or individual in the union with the authority to establish a lost time policy.

2. Lack of Monthly Allowance Payment Authorization

Local 2-513 did not maintain records to verify that the monthly allowance payments paid to you, Vice President Steve Wilson, and Kim Meggison during the audit year were the correct authorized amounts. The International Union Constitution, which you stated governs the practices and procedures of Local 2-513, does not contain a provision for the president's, vice president's and financial secretary's monthly allowances. During the audit, the union was unable to provide documentation to support the allowances paid to these officers. The union must keep a record, such as meeting minutes, to show the current wages authorized by the entity or individual in the union with the authority to establish wages.

3. Grievance Meetings Per Diem Payments

The collective bargaining agreement with Marsh Plating Company and Local 2-513 provides a \$30.00 per diem allowance to Local 2-513 union officials for every other grievance meeting attended. However, the international union constitution does not contain a provision regarding per diem compensation to officers for attending grievance meetings.

In addition, Local 2-513 failed to keep adequate records identifying the date, time and purpose of grievance meetings for which you, Mr. Wilson, and Ms. Meggison received per diem allowances. Consequently, the accuracy of the amounts that must be reported in Item 18 (Payments to Officers and Employees) of Local 2-513's LM-4 report cannot be verified. Therefore, Local 2-513 must maintain a clear written policy regarding per diem allowance payments and complete and contemporaneous records to support all meeting attendance payments.

4. Reimbursed Officer Expenses

Local 2-513 did not retain adequate documentation for reimbursement of a filing cabinet purchased by you totaling \$179.90. As previously 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.

5. Failure to Record Receipts

Local 2-513 did not record in its receipts records a payment received totaling approximately \$176.23 that was included on a bank deposit ticket. 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.

6. Receipts Not Accurately Recorded

Entries in Local 2-513's check ledger reflect the date the union deposited money in the checking account, but not the date that the money was received by the local. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Item 16 of the LM-4 report. A labor organization must record receipts when it actually receives money and disbursements when it actually pays out money.

The audit disclosed several inconsistencies between the local's check ledger entries reflecting the date when money was deposited and deposits reflected on the bank statements. On five occasions the union failed to record the dates it received money which was later deposited to the union's checking account.

In order to accurately report receipts on the LM report, the union must maintain at least one record documenting the date, source, and amount of receipts. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received the monies. In addition, the audit also disclosed mistakes in the local's check ledger balances recorded on November 12, 2006, and September 26, 2007, due to erroneous mathematical calculations. These errors resulted in an understatement of at least \$1,275.17 to the union's book balance.

7. Failure to Maintain Financial Records

Local 2-513 failed to maintain checking account bank statements from October - December 2006 and June 2007. Local 2-513 also failed to maintain bank deposit slips for deposits made into the local's checking account on June 14, 2007, in the amount of \$1,004.26, July 12, 2007, in the amount of \$578.44, and October 5, 2007, in the amount of \$2,301.45.

8. Bereavement Benefit Payments

The audit disclosed bereavement payments issued to two Local 2-513 members during the audit year. You and Ms. Meggison advised OLMS that the bereavement benefit payments issued to local members has been the local's past practice since the early 1990s; however, the constitution does not contain a provision for bereavement benefits. Membership and executive board meeting minutes were not maintained to document approval of bereavement payments that were issued to local members during the audit year. Minutes of all

membership or executive board meetings must be maintained and must report any disbursement authorizations made at those meetings.

9. Miscellaneous Expenses

Local 2-513 did not maintain adequate supporting documentation for the following disbursements during the audit year: registration fees, hotel, and meal expenses in the amount of \$236.88 incurred for Steve Wilson's attendance at the Rapid Response Conference in Lansing, MI ; union dinner expenses paid to Honey Baked Ham in the amount of \$599.94; and union phone call expenses in the amount of \$271.46 paid to Verizon West.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements, in addition to, membership or executive board meeting minutes to document approval of disbursements. The president and financial secretary (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 2-513's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

During the exit interview, you and Ms. Meggison agreed to discuss union officer monthly allowances and bereavement payments issued to members as outlined above at Local 2-513's next general membership meeting on or about July 20, 2008 to obtain and document authorization of these disbursements and provide OLMS with a copy of the meeting minutes. You both also agreed to provide OLMS with copies of paycheck stubs for lost time claims submitted during the audit year. You agreed to obtain a copy of the sales receipt for the filing cabinet purchased during the audit year and provide OLMS with a copy of the receipt. Based on your assurance that Local 2-513 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 2-513 for fiscal year ending December 31, 2006, was deficient in the following areas:

- Item 9 (Place Records Kept) must be answered "yes" or "no". If the answer is "no", the address where the union's records are kept must be provided in Item 56 (Additional Information)
- Item 23 (Rates of Dues and Fees), lines (a) through (d) must be completed with an appropriate entry (such as dollar amount, "0", "none", number of hours pay, etc.) and lines (a) and (d) must report the calendar basis for payment (such as per month, per year, etc.), if appropriate.
- Item 24 (Officers and Disbursements to Officers) columns (D) and (E) must be completed with the appropriate number or "0" for every line with an entry in column (A). Line 10 must be completed with the appropriate number or "0".
- Items 40-43 (Cash receipts) must each be completed with the appropriate number or "0".

I am not requiring that Local 2-513 file an amended LM report for 2006 to correct the deficient items, but Local 2-513 has agreed to properly report the deficient items on all future reports it files with OLMS.

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. Local 2-513 did not file the annual financial report Form LM-4 for the fiscal year ending December 31, 2007.

I provided you with blank forms and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The delinquent Form LM-4 report should be submitted to this office at the above address as soon as possible, but not later than July 7, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

The audit disclosed the following other issues:

1. Signing Blank Checks

During the audit, you advised that Kim Meggison periodically signs blank checks. Your union's constitution requires that the president and treasurer sign all checks. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 2-513 review these procedures to improve internal control of union funds.

2. Two Signatories on All Bank Accounts

To prevent, or at least inhibit, the misuse or embezzlement of their funds, most organizations including corporations, banks, etc., install internal controls over the handling of their finances. Adequate internal financial controls are essential in order for a union to fulfill its obligations under Titles II and V of the LMRDA. One such control that OLMS recommends Local 2-513 adopt is a requirement of two signatories on all union bank accounts.

I want to extend my personal appreciation to Steelworkers Local 2-513 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 are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Kim Meggison, Financial Secretary