



February 4, 2016

Mr. Steve Wilson, President
Steelworkers AFL-CIO
Local 513
1750 Bridgewater Drive
Ypsilanti, MI 48198-3280

Case Number: 320-6006159 [REDACTED]
LM Number: 066687

Dear Mr. Wilson:

This office has recently completed an audit of Steelworkers Local 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 Bawela Boguemna on November 18, 2015, 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 513's 2014 records revealed the following recordkeeping violations:

1. Lack of Monthly Allowance Authorization

Local 513 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 correctly reported. During the opening interview, you and Financial Secretary Boguemna stated that the International Union Constitution and Bylaws governed the practices and procedures of Local 513, including the authorization of the amounts paid to the president and financial secretary for their monthly officer allowances; however, the audit did not reveal any documentation, including the International Union Constitution and Bylaws, in Local 513's records authorizing the president and financial secretary to be paid a monthly allowance. The union must keep a record, such as meeting minutes, to show the current salaries and/or allowances for officers and employees as authorized by the entity or individual with the authority to establish salaries and/or allowances.

2. General Reimbursed Expenses

Local 513 did not retain adequate supporting documentation for payments to you totaling at least \$914. For example, no supporting documentation was retained for travel reimbursements totaling at least \$554 that were paid to you for travel costs associated with the USW convention held in Las Vegas, Nevada on August 11-14, 2014.

As another example, Local 513 records related to meal expenses did not always include written explanations of the union business conducted or the names and titles of the persons incurring or receiving the benefit of the restaurant charges. For example, a receipt retained for a \$329.71 meal expense incurred by you at Buffalo Wild Wings on January 4, 2014 for the holiday membership meeting did not include the full names and titles of those present on the credit card receipt.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. 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. 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. 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. Lost Wages

Local 513 did not retain adequate documentation for lost wage reimbursement payments to union officers on at least seven occasions totaling at least 2,148.24. Records must be maintained 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 audit found that vouchers retained by Local 513 for lost wage reimbursements were not sufficient in that five of the vouchers did not disclose the purpose of the lost time, four failed to report the date(s) lost time was being claimed, three did not list the officer/employee's rate of pay per hour, and two were not signed by an approving officer.

During the exit interview, I provided OLMS Compliance Tip *Union Lost Time Payments*, which contained a sample of an expense voucher Local 513 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

4. Failure to Retain Records for Items Given Away

During fiscal year 2014, Local 513 purchased items (e.g., t-shirts) totaling at least \$512 that were given away to members, but failed to maintain an inventory of the property that was purchased and given away. Records must be retained which account for all union property. In the case of union shirts, gift cards, or other items sold or given away to members, records must be maintained to clarify and support information required to be reported by Local 513 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 regarding items that are disposed of in a manner other than by sale.

5. Failure to Record Receipts

Local 513 must maintain a record which shows the date and amount received, and the source of all money it receives. Local 513's receipts consist primarily of dues from USW International Union which are remitted to Local 513 from the USW directly into Local 513's general fund checking account. Bank statements covering the months for which these deposits are made are generally a sufficient record for these receipts because they identify the source, the amount, and the deposit date is the same as the receipt date. However, Local 513 does not maintain any record that provides an adequate identification of the restitution payments that Local 513 receive from the USW. Local 513 must maintain a record which identifies the date, amount, and source of each individual receipt. Local 513 could satisfy this recordkeeping requirement by maintaining a receipt and disbursement journal, which would also assist Local 513 being able to calculate amounts the union received and disbursed during the course of your fiscal year into the various categories required to be reported on the LM-3. Please refer to the sample receipt and disbursement journal that was provided to you after the exit interview.

Based on your assurance that Steelworkers 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 USW Local 513 for the fiscal year ended December 31, 2014, was deficient in that:

Acquire/Dispose of Property

Item 13 (Acquisition or Disposition of Assets) should have been answered "Yes" because Local 513 gave away t-shirts totaling \$512 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name; it can describe the recipients by broad categories, if appropriate, such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in. Also report in Item 56 the cost or other basis at which the merchandise disposed of was carried on the union's books.

I am not requiring that Local 513 file an amended LM report for 2014 to correct the deficient items, but Local 513 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Overpayment of Reimbursed Expenses

The audit revealed that Local 513 overpaid you and Mr. Boguemna for mileage to meet with USW Auditor [REDACTED] in Taylor, Michigan. A review of Local 513's records revealed that Mr. Boguemna was reimbursed \$79.52 for mileage on May 23, 2014, and you were reimbursed the same amount on December 24, 2014. You both claimed that the round-trip between Ypsilanti, Michigan and Taylor, Michigan was 142 miles on your vouchers; however, a Google search revealed that the actual round-trip mileage between Ypsilanti and Taylor is approximately 42 miles, not 142 miles. You and Mr. Boguemna should have each received mileage totaling \$23.52, not \$79.52, which resulted in each of you receiving an overpayment of \$56.00. During the exit interview, Mr. Boguemna stated that his voucher was prepared by USW Auditor [REDACTED] and he did not review what she prepared before submitting the voucher for reimbursement. You stated that you copied the miles claimed by Mr. Boguemna when you prepared your voucher. Both of you agreed to reimburse the local \$56.00 for the overpayment.

OLMS recommends that unions: (1) adopt a clear policy on reimbursed expenses; (2) establish what documentation is needed for an official to be reimbursed; and (3) establish a procedure that provides for review and approval of expense claims. Careful review of expense vouchers can help ensure adequate internal controls and safeguard union assets.

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

Sincerely,

[REDACTED]
Investigator

Enclosures

cc: Mr. Bawela Boguemna, Financial Secretary