

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
Cleveland District Office  
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September 1, 2006

Mr. Herbert McCloud II, Financial Secretary  
Steelworks Local 598  
680 North Market Street  
Logan, OH 43138

Re: Case Number: ~~XXXXXXXXXX~~

Dear Mr. McCloud II:

This office has recently completed an audit of Steelworkers Local 598 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, Richard Rush II, and Donald Sowers on August 31, 2006, 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.

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 895's 2005 records revealed the following recordkeeping violations:

- Union records were not maintained for the required five year period. Bank statements were kept for only one year. Per capita and check-off reports from the International Steelworkers were not maintained at all. The local failed to maintain meeting minutes. The local failed to maintain proof of adequate bonding coverage.
- Union officers and employees failed to maintain adequate documentation for reimbursed expenses, for expenses charged to union credit cards, and for lodging expenses that were direct-paid by the union. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded.
- Union officers failed to record the date and/or purpose of some lost wage claims. Records must be maintained that identify the date, number of hours lost, rate of pay, and the specific union purpose for all lost wages.
- Adequate documentation was not retained for any purchases during the audit period.
- Some checks that were voided and not issued were not retained.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 598's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA, 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.

As agreed, provided that Local 598 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

The CAP 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 598 for fiscal year ending December 31, 2005, was deficient in the following areas:

- Due to numerous bookkeeping errors, Item 25(A&B) (Cash at the beginning and the end of the reporting period) was understated by \$804 and \$299 respectively. Item 44 (Total Receipts) was understated by \$4,620. Item 55 (Total Disbursements) was understated by \$1,609.
- Local 598 failed to include some reimbursements to officers and employees in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have not been reported at all.

All direct disbursements to Local 598 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. An "indirect disbursement" to an officer is a payment to another party (including credit card companies) 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).

Local 895 has submitted an amended 2005 LM-3 Report to the Cleveland District Office correcting the errors involving the reporting of cash, receipts, disbursements, and reimbursements to officers. Therefore, no further action is being considered regarding these violations at this time.

I want to extend my personal appreciation to Steelworkers Local 598 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

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passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

Fred Vaudrin  
District Director

cc: Larry J. Ramsey, Steelworkers International Representative