



March 14, 2024

Peter Ward, Treasurer
Steelworkers, AFL-CIO Local Union 731
553 West 4th Street
Chillicothe, OH 45601

Case Number: 350-6027328()
LM Number: 060-334

Sent via electronic mail to shared mailbox: [REDACTED]

Dear Mr. Ward:

This office has recently completed an audit of Steelworkers Local 731 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 on March 6, 2024, 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 731's 2022 records revealed the following recordkeeping violations:

1. Reimbursed Officer Expenses

Local 731 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$4,647.34. For example, check [REDACTED] is dated 8/3/2022 for \$1,542.73 with a purpose of “Quarterly Audit” and payable to Vice President Tim Jenkins, but there is no invoice to support the payment.

As 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.

2. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$522.00 during 2022. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Lost Wages

Local 731 did not retain adequate documentation for lost wage reimbursement payments to you, President Bret Sharp, and Vice President Tim Jenkins totaling at least \$36,834.81. 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. Further, despite possessing copies of the international’s lost time policy, Local 731 failed to adhere to the policy which provides that lost time may only be paid to individuals who are on authorized union business for actual scheduled lost time hours.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 731 may use to satisfy recordkeeping requirements. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses. Local 731 also agreed to adhere to the USW lost time policy.

4. Disposition of Property

Local 731 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. 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 28. The union must record in at least one record the date and amount received from each sale of union hats, jackets, and other items.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

5. Receipt Dates not Recorded

Entries in Local 731's receipts journal reflect the date the union deposited money, but not the date money was received. 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 Statement B (Receipts and Disbursements) of the LM-2. The LM-2 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 for a different year than when it actually received them.

Based on your assurance that Local 731 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-2 filed by Local 731 for the fiscal year ended December 31, 2022, was deficient in the following areas:

1. Dispose of Property

Item 15 of the LM-2 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away shirts, hats, door prizes, gift cards, and Christmas toys 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. The union 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.

2. Failure to Itemize Disbursement

Local 731 did not properly report a "major" transaction in Schedule 18. A "major" transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting

period and which the local cannot properly report elsewhere in Statement B. The audit found check [REDACTED] for \$6,966.00 payable to WBB Handyman for lighting.

3. Dues and Total Receipts

It appears that the figures reported in Item 36 (Dues and Agency Fees) are over reported according to Local 731's records after reconciliation to the bank statements. Local 731 voted to pay the first year of dues for retired members and recorded the amount as receipts on the union's books and on the LM-2 report. The instructions for Item 36 provide that only dues received for and by the local should be reported.

I am not requiring that Local 731 file an amended LM report for 2022 to correct the deficient items, but Local 731 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

1. Use of Signature Stamp

During the audit, you advised that it is Local 731's practice for you to prepare all checks before stamping your signature and the signatures of President Sharp and Financial Secretary Estel on union checks. You indicated that only Sharp reviews the checks before they are issued. Paragraph 13 (Adjournment) of the International Union's Manual for local unions requires that checks be signed by the treasurer and countersigned by the president and financial secretary. The three-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, the use of a signature stamp for the second and third signers does not attest to the authenticity of the completed check and negates the purpose of the three-signature requirement. OLMS recommends that Local 731 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Steelworkers Local 731 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: Bret Sharp, President

Tim Jenkins, Vice President
Estel Stepp, Financial Secretary