

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Philadelphia District Office
170 S. Independence Mall West
Room 760
Philadelphia, PA 19106
(215)861-4818 Fax: (215)861-4819



June 18, 2008

Mr. Michael Parente, President
Steel Workers AFL-CIO
Local 10-86
109 N. Second Street
North Wales, PA 19454

LM File Number 013-042

Case Number: [REDACTED]

Dear Mr. Parente:

This office has recently completed an audit of Steel Workers Local 10-86 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 June 10, 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 Steel Workers Local 10-86's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Steel Workers Local 10-86 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by former Secretary Treasurer [REDACTED] totaling at least \$3,199.40. For example, [REDACTED] made a credit card charge to Mandalay Bay Resorts on October 19, 2006 for \$1,045.11. Union records did not contain an invoice from Mandalay Bay Resorts or any backup documentation to verify the purpose of the credit card disbursement.

During the course of the audit it was determined that the disbursement was to pay hotel cost related to the union's health and welfare fund's October 2006 conference. During the audit year [REDACTED] was a trustee of Local 10-86's health and welfare fund. [REDACTED] submitted the Mandalay Bay Resorts invoice to the health and welfare fund not to Local 10-86 even though [REDACTED] utilized his union issued credit card to pay for the fund expense. On May 28, 2008 the health and welfare fund re-issued a check (the first check was never negotiated) to [REDACTED] for expenses for the October 2006 conference. On May 29, 2008 [REDACTED] issued a check for \$1,045.11 to reimburse the union for the cost of the Mandalay Bay Resorts hotel credit card charge.

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.

2. Disposition of Property

Steel Workers Local 10-86 did not maintain an inventory of tee-shirts 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 tee-shirts and other items.

3. Failure to Record Receipts

Steel Workers Local 10-86 did not maintain any receipt records. The union failed to record receipts received from member's dues, the sale of supplies, interest and dividends received from investments. Union bank records detail Local 10-86 depositing receipts into its general fund of \$315,725.00 during the audit year. Union records do not contain entries that provide the date, amount received and the source of the funds.

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. This information is necessary 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 Steel Workers Local 10-86 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 Steel Workers Local 10-86 for fiscal year ending Month December 31, 2006, was deficient in the following area:

1. Acquire/Dispose of Property

Item 15 (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 an unidentified amount of tee-shirts 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. Sale of Supplies

Steel Workers Local 10-86 did not correctly report receipts from the sale of supplies or disbursements for supplies for resale. The audit revealed that during 2006, Local 10-86 disbursed at least \$12,761.73 for items that it re-sold to members, collecting an unidentified amount of receipts. The LM-2 instructions require that the union report receipts from the sale of supplies in Item 39 (Sale of Supplies) and disbursements for supplies for resale in Item 59 (Supplies for Resale). In addition, it must report the value of any supplies for resale on hand at the beginning and end of the year in Item 28 and Schedule 7 (Other Assets).

I am not requiring that Steel Workers Local 10-86 file an amended LM report for 2006 to correct the deficient items, but Local 10-86 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Steel Workers Local 10-86 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: Daryl Bailey, Secretary Treasurer