

U.S. Department of Labor

Employment Standards Administration  
Office of Labor-Management Standards  
Pittsburgh District Office  
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Pittsburgh, PA 15222  
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September 27, 2005

Mr. Robert Potochny, President  
Utility Workers, AFL-CIO, Local 537  
7 Coolidge Street  
Lyndora, PA 16045

Re:

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Dear Mr. Potochny:

This office has recently completed an audit of Utility Workers Local Union 537 under the Compliance Audit Program (CAP) to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA), by your organization. As discussed during the exit interview with Beth Work on September 26, 2005, no violations of the LMRDA were disclosed in areas of financial activity included in the CAP. This does not exhaust all possible problem areas since the audit conducted was limited in scope and did not include all areas of your union's operation.

Several areas of concern were disclosed, however, that could result in future violations. These areas include:

1. Former Systems Officer ~~RC~~ receiving a meal expense reimbursement twice and a reimbursement for a mileage claim on an incomplete date.

On December 7, 2003, ~~RC~~ charged a \$68.27 meal at the River Bar to his Marriott Detroit Renaissance Center hotel room. The reference number of this charge is 36912819. The hotel bill was subsequently charged to the union credit card and the credit card balance paid in full with check number

4. In January 2004, ~~RC~~ submitted a meal reimbursement request that included the receipt for this same meal at the River Bar in the amount of \$68.27 and reference number 36912819. Union check number 4 was issued to pay him for the total amount claimed. ~~RC~~ was reimbursed for the meal twice and, therefore, owes the union \$68.27.

In December 2004, ~~RC~~ submitted a final reimbursement voucher on which he claimed mileage for "meeting office" on "7- -04". No specific date or purpose is recorded and the claim is more than 5 months old. This amount (\$30.00) should never have been paid by the union without further documentation of the specific date on which the union business was conducted. Therefore, unless ~~RC~~ can prove a specific union-business purpose for this claim, he owes the union \$30.00 for this mileage reimbursement.

The total amount of union funds paid to ~~WCI~~ for which he appears to not have been entitled totals \$98.27. He should immediately repay this amount.

2. Other questionable activities that could result in potential problems.

Charges are consistently made to the union credit card for liquor purchases. Although this is not a prohibited activity, it is definitely questionable as to union benefit. These charges are especially questionable when purchased during a meal or break between meeting sessions. Basically, that is no different than drinking on the job. Liquor purchases should be kept to a minimum and any visits to bars should be paid strictly out of pocket and not with union funds.

Charges placed on lodging bills include room service, mini-bar purchases and movies, none of which can be justified as a necessary union expense. Room service, which is quite a bit more expensive than dining in the restaurant, serves no union-business purpose. Some of the room service charges were made shortly after charging a meal at the hotel restaurant which is inexplicable. Mini-bar purchases and movie rentals should never be paid for with union funds. They serve no union-business purpose; they are strictly for personal benefit.

The union credit card should not be used like an unlimited expense account to charge unnecessary and personal convenience items. Every charge must be for union benefit and the union benefit should be obvious. Charges for meals, liquor and lodging appear to be spiraling out of control in this union. If these activities cannot be controlled, the union should consider canceling the charge accounts and paying the federal government per diem rates while in travel status.

3. Some charges and reimbursement claims are not supported by proper documentation.

Meals charged to the lodging bill or directly to the union credit card account should be documented with the itemized bill, not just the general charge slip. Records should show exactly what is being paid for by the union.

System officers should submit mileage claims, at the very least, on a monthly basis. Claiming March mileage in June could be viewed as an attempt to cover up unauthorized claims. Every mileage claim must report a specific date, location, and purpose. If any information is missing, the claim should not be paid.

System officers' lost time voucher records must identify the union business for which the lost time was incurred. The voucher cannot simply state the date and "company LW expense". It must include the union purpose for the lost time.

4. The January 2005 records, also reviewed, included a questionable cellular telephone bill reimbursement.

A Verizon cellular telephone bill was submitted with a voucher requesting reimbursement for highlighted union telephone calls made from a cellular telephone. Although these particular calls were

listed as a zero dollar charge, total minutes exceed the plan allotment. The voucher appears to have been submitted to recoup the cost of the minutes exceeding the plan at the listed amount of 45 cents per minute. All of these union calls, however, are reported as "MN" on the bill; they are unlimited in-calling (Verizon to Verizon) phone calls. These calls incur no charge, use no minutes, have no limit and are at no cost to the subscriber. Therefore, these calls cannot be reimbursed and, any union funds disbursed for this purpose should be immediately repaid by the claimant.

Please be advised that all union officers have a fiduciary responsibility under the law to ensure that union funds are expended solely for the benefit of union members. A breach of this fiduciary responsibility, whether by incurring these charges or allowing them to be paid with union funds, can result in prosecution under the LMRDA. This letter serves as formal notice of this requirement. Therefore, please ensure that it is read at a Board meeting in front of all union officers and that all the above suggestions are immediately implemented. .

I want to extend my personal appreciation for the cooperation and courtesy provided by Ms. Work during the compliance audit. The union records are very well organized and as detailed as possible based upon the information provided to the Secretary-Treasurer. If I can be of any assistance to you in the future, please do not hesitate to call.

Sincerely,

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Investigator

for: Charles Korey, District Director

cc: Beth Work, Secretary-Treasurer