

**U.S. Department of Labor**

Employment Standards Administration  
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July 16, 2007

Mr. Thomas Jasper, President  
United Steelworkers of America  
Local 02-635  
P.O. Box 076  
Mount Carmel, PA 17851-076

LM File Number 061-625  
Case Number: [REDACTED]

Dear Mr. Jasper:

This office has recently completed an audit of Steelworkers Local 02-635 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 Leonard Kimsal on July 11, 2007, 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.

The audit of Local 02-635's 2005 records revealed the following reporting 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 operation. The Labor Organization Annual Report Form LM-3 filed by Local 02-635 for fiscal year ending December 31, 2005 was deficient in that:

1. The Union Failed to Report All Account Balances

Local 02-635 did not report all union account balances on its LM-3 filed for 2005 as required. Specifically, the union only reported the savings account balance and

failed to report the checking account balance of \$4,751 at the beginning of the year and a balance of \$2,496 at the end of the year in Item 25. Each labor organization must report all of your organizations cash on hand and on deposit at the start and end of the reporting period. Include all cash on hand, such as undeposited cash, checks, and money orders; petty cash; and cash in safe deposit boxes. Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money market accounts. Also include any interest credited to your organization's account during the reporting period.

Local 02-635 has filed an amended Form LM-3 for fiscal year ending December 31, 2005, correcting the deficient item discussed above.

#### Other Issues

##### 1. Duplicate Receipts

Members make payments directly to the local for guests attending the annual clambake. Former Treasurer [REDACTED] deposited the payments into the union's checking account, but he did not issue receipts to the members. OLMS recommends that Local 02-635 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

##### 2. Disbursement Records and Account Balances

Local 02-635 uses check stubs as their disbursement records. Stubs were not properly completed and no running balance was maintained for the union's checking account. It is recommended that the local properly complete the check stubs and maintain a running balance of the checking account in order to insure the local is aware of the account balance and does not become overdrawn on the checking account.

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I want to extend my personal appreciation to Steelworkers Local 02-635 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: Treasurer Bernie Nolter