



March 3, 2011

Mr. Kevin Shilling, Financial Secretary
Steelworkers Local 10-14372
1914 W. Center Street
Ashland, PA 17921

Case Number: [REDACTED]
LM Number: 001811

Dear Mr. Shilling:

This office has recently completed an audit of Steelworkers Local 10-14372 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 on March 2, 2011, 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 10-14372's 2010 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 10-14372 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$263.21. For example, check # [REDACTED] dated July 1, 2010 for \$700.00 made out to Fred Runge for prizes for the picnic had receipts for various gift card purchases totaling \$651.79 but are missing \$48.21 in back-up documentation. Also, check # [REDACTED] dated January 26, 2010 for \$215.00 made out to Robert Leffler had no receipts.

2. Lack of Disbursement Documentation

Local 10-14372 was missing receipts and invoices for some of its disbursements. For example, a payment of \$150.00 was made to the American House Fireworks Fund for the Ashland fireworks display and a payment of \$250.00 was made to Nova Software Solutions for software yet no receipts or invoices were maintained. The union must maintain receipts provided by the merchants or organizations. These receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

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.

3. Lack of Salary Authorization

Local 10-14372 did not maintain records to verify that all the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

4. Voided Checks not Maintained

Local 10-14372 did not retain all of the checks voided during the fiscal year. Seven checks were voided throughout the fiscal year and only two were maintained. Voided checks are considered required records and should be maintained.

Based on your assurance that Local 10-14372 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issue

Internal Controls

The audit revealed that the union requires only one signature on checks drawn on the union's bank account for vending machine income. Though this is not a violation of the LMRDA, requiring a second signature on checks is an effective internal control. Adequate and effective internal controls require a separation of functions and responsibilities among a number of individuals who are actively involved in the financial process and who provide a system of "checks and balances" over each other's activities. As such, OLMS suggests that the union's executive board consider instituting such a requirement.

Additionally, two checks written from the union's general fund included only two authorized signatories where the union requires three authorized signatories.

I want to extend my personal appreciation to Steelworkers Local 10-14372 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,



Senior Investigator

cc: Mr. Fred Runge, President