

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Pittsburgh District Office
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June 21, 2006

Mr. Steven G. Wade, Financial Secretary
Steelworkers AFL-CIO
Local 628
P.O. Box 6766
Charleston, WV 25362

Re: Case Number: XXXXXXXXXX

Dear Mr. Wade:

This office has recently completed an audit of Steelworkers Local 628 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 16, 2006, 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 CAP disclosed a violation of Title II of the LMRDA. Title II establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information.

An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

Union officers and employees failed to maintain adequate documentation for expenses charged to union credit cards. At the completion of union travel, officers must turn-in for retention in the union records detailed receipts/invoices from hotels, airline tickets, and automobile rentals for all charges made with the union credit card. During the CAP it was discovered that hotel and airline invoices were missing for the president's travel to Las Vegas and Seattle. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded.

As agreed, provided that Local 628 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding this violation.

The CAP also 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-3) filed by Local 628 for fiscal year ending December 31, 2005, was deficient in that \$5,500 was listed in item 50 Benefits. At the opening interview, you explained the \$5,500 reported in item 50 should have been listed in item 51 Contributions, Gifts, & Grants and the \$1,026 listed in item 51 should have been reported in item 52 Purchases of Investments & Fixed Assets. You explained this error was simply a mistake transferring the line items from the annual audit to the LM-3 report. The CAP confirmed your explanation.

Local 628 must file an amended Form LM-3 for fiscal year ending December 31, 2005, to correct the deficient items discussed above. The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than July 9, 2006. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

During the audit, I advised you that authorization for the salary amounts paid to union officers could not be found in union records. I recommend that Local 628 document the authorized salary amounts in its bylaws or record them in meeting minutes or some other internal document (following discussion in the appropriate membership and/or executive board meeting). When the authorized salary amounts have been recorded in union records, I would appreciate it if you would forward a copy of the record documenting the authorization to me at the above address.

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During the audit, you advised that it is Local 628's practice for you to use your signature stamps to sign your name to union checks and to stamp the signature of President Charles V. Armstead on union checks. You indicated that expenses are approved at the executive board meeting before checks are written but no one reviews the checks before they are issued. Article VII Section 5 of Local 628's bylaws require that checks bear the signatures of two of the following three officers: president; financial secretary; and recording secretary. The second 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 by the primary signer of a signature stamp for the second signature does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the countersignature requirement. I recommend that Local 628 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Steelworkers Local 628 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: Charles V. Armstead