

U.S. Department of Labor

Office of Labor-Management Standards
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January 22, 2010

Mr. Paul T. Maynard, President
Steelworkers AFL-CIO
Local 7334
4251 New London Road
Ashtabula, OH 44004

LM File Number 065-904
Case Number: [REDACTED]

Dear Mr. Maynard:

This office has recently completed an audit of Steelworkers Local 7334 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 George Ferl on December 31, 2009, 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 7334's 2008 records revealed the following recordkeeping violations:

1. Union Disbursements and Expenses

Local 7334 did not retain adequate documentation for expenses incurred totaling at least \$2,036.32. For example, no receipt documentation was available for the purchase of a door from Nolan Door & Hardware for \$864.65 and a disbursement of \$359.41 made to Pete Nakoski for the Dream Center Project. In addition, no invoices were available for disbursements totaling \$812.26 to Port Conneaut Florist, and the recipients of the flowers were not listed.

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. Lost Wages

Local 7334 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$2,474.92. The OLMS audit found that Local 7334 lost time vouchers did not include the dates the lost time incurred and did not identify the union business conducted. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted.

On several occasions, Local 7334's vouchers list payments for lost time; however, no time was actually lost from the company. In these instances, officers' and

employees' received payments for "services rendered," such as performing the quarterly audit.

During the exit interview, Investigator [REDACTED] reviewed a sample of a Steelworkers expense voucher for Local 7334. It was suggested that these payments be identified as something other than "lost time," since they are payments for performing officer duties.

Based on your assurance that Local 7334 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-3 filed by Local 7334 for fiscal year ending December 31, 2008, was deficient in the following areas:

1. Disposal of Property

Item 13: (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 watches and bibles totaling more than \$380.00 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 on the LM report. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

2. Cash Reconciliation

The OLMS audit revealed that the cash disbursements reported on Statement B of the December 31, 2008 LM-3 report were entered incorrectly, causing the cash balances in Item 25 to not reconcile.

Payroll tax deductions on Line 10 of Item 24 – Disbursements to Officers were not included to calculate the net disbursements. Net disbursements reported in Item 45 – To Officers was over reported causing the reconciliation difference.

The instructions for Item 24, Line 10 state that withheld taxes and payroll deductions must be subtracted from the gross salaries that are paid to the local's officers.

An amended Form LM-3 for fiscal year ending December 31, 2008 was received on January 19, 2010 to correct the deficient items discussed above.

I want to extend my personal appreciation to Steelworkers Local 7334 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 at the exit interview are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

Brian A. Pifer
District Director

cc: George Ferl, Financial Secretary