

**U.S. Department of Labor**

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September 3, 2009

Mr. William Brickus, President  
Steelworkers AFL-CIO  
Local 940  
151 Octorara Road  
Parkesbury, PA 19365

LM File Number 031-776  
Case Number: [REDACTED]

Dear Mr. Brickus:

This office has recently completed an audit of Steelworkers Local 940 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 Treasurer Dawn Gazzaro and you on August 25, 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 940's 2008 records revealed the following recordkeeping violations:

1. Failure to Maintain Supporting Documentation for Disbursements

Local 940 did not retain adequate documentation for some expenses incurred by Treasurer Gazzaro and you totaling at least \$6,250. For example, during fiscal year ending Local 940 spent \$6,250 on WaWa gift cards for union members. Although Local 940 maintained the vendor receipt for the purchase of the gift cards, documents regarding the distribution of the gift cards were not maintained. Local 940 should maintain an inventory of purchased gift cards specifying which members received a gift card and how many gift cards are leftover after distribution.

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 940 did not retain adequate documentation for lost wage reimbursement payments to Treasurer Gazzaro and you totaling at least \$4,159.80. Although Local 940 maintained records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, and the applicable rate of pay, the OLMS audit found that Local 940 officers did not identify the union business conducted on retained lost time records.

During the exit interview, I provided a sample of an expense voucher Local 940 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

3. Lack of Salary Authorization

Local 940 did not maintain records to verify that 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. Please provide proof of salary authorization such as a copy of your union's meeting minutes no later than September 13, 2009.

Reporting Violation

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 940 for fiscal year ending December 31, 2008, was deficient in the following area:

Disbursements to Officers

Local 940 did not include some reimbursements to officers totaling at least \$700 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48, Office and Administrative Expense.

The union must report most direct disbursements to Local 940 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer

traveling on union business should be reported in Item 48 (Office and Administrative Expense).

I am not requiring that Local 940 file an amended LM report for 2008 to correct the deficient items, but Local 940 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Violation

The audit disclosed the following other violation(s):

##### Bonding Coverage

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires every officer, agent, shop steward, or other representative or employee of any labor organization (other than a labor organization whose property and annual financial receipts do not exceed \$5,000 in value), or of a trust in which a labor organization is interested, who handles funds or other property thereof shall be bonded to provide protection against loss by reason of acts of fraud or dishonesty on his part directly or through connivance with others.

Local 940 is covered under United Steelworkers International labor bond. However, we have been advised by United Steelworkers International Chief Auditor Tony Catanzaro that Local 940 Treasurer Dawn Gazzaro is not a member of Local 940, and therefore she is not covered under the labor bond.

Section 502 (a) of the LMRDA states that any person who is not covered by such bonds shall not be permitted to receive, handle, disburse, or otherwise exercise custody or control of the funds or other property of a labor organization or of a trust in which a labor organization is interested.

We have been told by Mr. Catanzaro that United Steelworkers International will take appropriate measures to ensure a member in good standing will assume the position of Local 940 Treasurer.

I want to extend my personal appreciation to Steelworkers Local 940 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

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passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Tony Catonzaro, Chief Auditor