

U.S. Department of Labor
Employment Standards Administration
Office of Labor-Management Standards
Philadelphia District Office
170 S. Independence Mall West
Room 760
Philadelphia, PA 19106
(215)861-4818 Fax: (215)861-4819

April 11, 2008

Mr. Lewis Warner, Treasurer
Steelworkers AFL-CIO
Local 404
1505 W. Allegheny Avenue
Philadelphia, PA 19132

LM File Number 034-200
Case Number: ||| ||| ||| ||| ||| |||

Dear Mr. Warner:

This office has recently completed an audit of Steelworkers Local 404 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 David Lamberson, Wardell Lamberson, and you on April 8, 2008, 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 404's 2007 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 404 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$138.12. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 404 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

2. Failure to Record Receipts

Local 404 did not record in its receipts records some receipts that were deposited into the local's bank account. For example, the union failed to record a check in the amount of \$850 from American Income Life, in addition to an \$89 "miscellaneous" deposit, a \$2,000 per capita tax refund check, and automatic deposited checks totaling \$387.37. Although all funds were deposited into the union's checking account, these funds were not recorded in the union's receipt journal. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

Based on your assurance that Local 404 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 404 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes

changes to its constitution or bylaws. Local 404 adopted by-laws dated November 18, 2002, but did not file a copy with its LM report for that year.

Local 404 has now filed a copy of its constitution and bylaws.

2. Disbursements to Officers

Local 404 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union. The union must report most direct disbursements to Local 404 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).

3. Fixed Assets

The value of Local 404's property located at 1505 W. Allegheny Avenue, Philadelphia, PA was reported in Item 29 as \$44,978. The audit revealed that the property is valued at \$53,000.

Local 404 must file an amended Form LM-3 for fiscal year ending December 31, 2007, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than May 8, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issue

Use of Signatories

As I discussed during the exit interview, original signatures of officers did not always appear on issued checks. Although Local 404 appears to have strong overall internal controls, 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 officer's activities.

I want to extend my personal appreciation to Steelworkers Local 404 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,

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Investigator

cc: David Lamberson, Business Agent
Michael Gales, President