



July 7, 2010

Mr. Anthony Castrello, Business Manager  
Sheet Metal Workers Local 58  
301 Pulaski Street  
Syracuse, NY 13204

Case Number: [REDACTED]  
LM Number: 015758

Dear Mr. Castrello:

This office has recently completed an audit of Sheet Metal Workers Local 58 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, President Michael Raum and Office Manager Brenda McMurray on July 1, 2010, 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 58's 2009 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 58 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by Organizer [REDACTED] totaling at least \$356 and Business Representative [REDACTED] totaling at least \$40. For example, Organizer [REDACTED] was provided an advance by the union to travel to Wilkes-Barre, PA. He did not retain receipts for breakfast, lunch and dinners purchased using those advanced funds. There was a total of \$264.50 in meals during his stay, however only two receipts were maintained totaling \$116.50 of that amount.

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.

2. Meal Expenses

Local 58 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$306. 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 58 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.

3. Lost Wages

Local 58 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees totaling at least \$5,100. 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.

The OLMS audit found that Local 58 did satisfy some of this requirement by identifying the names and hourly rates of those individuals who lost hours, however the number of hours lost and the date of the loss was not specified. Furthermore, the union did not identify on a lost wage voucher, or similar document, the union business conducted.

Based on your assurance that Local 58 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-2) filed by Local 58 for fiscal year ending December 31, 2009, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 58 did not include payments to officers and employees totaling at least \$5,100 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column D (Gross Salary Disbursements) of Schedules 11 and 12 the gross salary of each officer and employee including disbursements for "lost time" or time devoted to union business. On Schedule 12, include disbursements to individuals other than officers who receive lost time payments even if the organization does not otherwise consider them to be employees. The union must report in Column E (Allowances Disbursed) of these schedules the total allowances made by direct and indirect disbursements to each officer or employees on a daily, weekly, monthly, or other periodic basis. Specifically for Schedule 12, enter only the names of those employees who, during the reporting period, received more than \$10,000 in gross salaries and other disbursements. Enter on Line 6 the totals of all gross salaries, allowances, and other disbursements for all employees not listed.

The union must report in Column F (Disbursements for Official Business) of Schedules 11 and 12 direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

2. Failure to Report Receipts and Disbursements including PAL Funds.

The OLMS audit revealed that Local 58 failed to include funds collected by employers on members' behalf that were deposited to the union's Vacation-PAL account on the LM-2 Report.

The Vacation-PAL account is managed by the local union. Receipts are collected from members for disbursement on their behalf. These funds, although subsequently forwarded to the credit union on the members' behalf, need to be reported on the LM Report. These funds are received by the union from contractors, which also include voluntary contributions to the Political Action League, and are then deposited to a separate union checking account. Immediately upon receipt and deposit of the members' vacation monies, a check is disbursed to the credit union in that amount. The PAL funds however are maintained in this account until the end of the fiscal year.

As stated in the LM-2 report instructions, PAC funds kept separate from your union's treasury need not be included in your union's LM report if publicly available reports on the PAC funds are filed with a federal or state agency. However, the audit revealed that Local 58's PAL monies were collectively maintained in a separate account managed by the local union and kept there for months before being transferred to the International Union's PAL account. Therefore, the financial activities of the PAL fund must also be included in Local 58's LM report.

Local 58 should report these funds on Statement B (Receipts and Disbursements), Item 47 (From members for Disbursement on their Behalf) and Item 64 (On Behalf of Individual Members) respectively.

I am not requiring that Local 58 file an amended LM report for 2009 to correct the deficient items, but Local 58 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issue

##### Use of Signature Stamp

During the audit, the union advised that it is Local 58's practice for Business Manager Anthony Castrello to sign all union checks and to stamp the signature of President Michael Raum on union checks. It was further indicated that no one but Castrello reviews the checks before they are issued. Article 10, Section 14 of SMWIA Constitution requires that checks be signed by the financial secretary-treasurer and the other of the president or another officer duly authorized by the local union. The two 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 of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 58 review these procedures to improve internal control of union funds.

Mr. Anthony Castrello

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I want to extend my personal appreciation to Sheet Metal Workers Local 58 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and any 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

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Michael Raum, President  
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