

U.S. Department of Labor

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Office of Labor-Management Standards
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October 16, 2007

Mr. Dan Dehaney, Financial Secretary
Asbestos Workers AFL-CIO
Local 3
1617 East 30th Street
Cleveland, Ohio 44114

LM File Number 037-904

Case Number: [REDACTED]

Dear Mr. Dehaney:

This office has recently completed an audit of Asbestos Workers Local 3 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 and Business Agent Scott Sullivan, President Jim Gallagher, Office Secretary Linda Laskowski, and Accountant Mary Ann Meleszczak on September 25, 2007, 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 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.

For disbursements, this includes 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.

The audit of Local 3's records for the fiscal year ending December 31, 2006 revealed the following recordkeeping violations:

1. Officer Expenses

Local 3 did not retain adequate documentation for reimbursed expenses and credit card charges incurred by Business Agent Scott Sullivan of Local 3 totaling at least \$2,670.49. For example, Mr. Sullivan charged gasoline expenses on his union credit card during use of the union automobile but did not maintain original gas receipts in support of the credit card charges. As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements; credit card statements alone do not suffice. The president and secretary 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.

Based on your assurance that Local 3 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 3 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 3 did not include some reimbursements to officers and employees for conferences, union business meetings, mobile phones charges, internet service, and tools/supplies totaling at least \$18,000 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 Schedule 18.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) 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. Automobile Expenses

Local 3 did not include in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) disbursements for the operation and maintenance of union automobiles. It appears that the local erroneously reported these payments in Schedule 19.

The LM-2 instructions provide two methods for reporting automobile-related expenses. The union must report in Schedules 11 and 12 direct and indirect disbursements for the operation and maintenance of union owned and leased vehicles and the operation and maintenance of vehicles owned by union personnel (including gasoline, repairs, and insurance). The union may divide the expenses and report them in Columns F and G based on miles driven for union business (supported by mileage logs) compared with miles driven for personal use.

Alternatively, rather than allocating the expenses between Columns F and G, if 50 percent or more of an officer's or an employee's use of a vehicle was for official business, the union may report all of the expenses relative to the vehicle assigned to the officer or employee in Column F of Schedule 11 or 12 with an explanation in Item 69 (Additional Information) that the officer or employee used the vehicle part of the time for personal business. Similarly, if a vehicle assigned to an officer or employee was used less than 50 percent of the time for business, all of the expenses relative to that vehicle may be reported in Column G with an explanation in Item 69 that the officer or employee used the vehicle partly for official business.

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On October 11, 2007 Local 3 electronically submitted an amended 2006 LM-2 Report correcting the errors involving the above deficiencies. Therefore, no further action is being considered regarding the violations at this time.

I want to extend my personal appreciation to Asbestos Workers Local 3 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: Scott Sullivan, Business Agent