



February 13, 2023

Dan Shirey, Business Manager  
Electrical Workers Local 575  
110 Offnere Street  
Portsmouth, OH 45662

Case Number: 350-6025503( )  
LM Number: 010234

Dear Mr. Shirey:

This office has recently completed an audit of Electrical Workers Local 575 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 Joe Dillow, Treasurer Randy Brown, and Office Manager Stacey Caudill on February 13, 2023, 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 575's 2021 records revealed the following recordkeeping violations:

#### 1. Unrecorded Receipt

Local 575 did not record in its receipt records one deposit for \$700 on September 10, 2021. 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.

2. Duplicate Receipts

Members of Local 575 pay some dues directly to the union. The union records dues payments in a receipts journal and issues a receipt to the dues payer. Local 575 failed to retain duplicate receipts in at least the month of January 2021. I also noted that most duplicate receipts did not retain the name of the dues paying member.

3. Incorrect Check Disbursement Entries

Local 575 erroneously recorded disbursement checks in their disbursement journal with the incorrect check number on at least 54 occasions. For example, check number [REDACTED] was recorded in the disbursement journal as [REDACTED]. Failure to record the accurate check number could result in the union reporting some disbursements for a different year than when it actually disbursed them. Local 575 also recorded check number [REDACTED] on 4/7/2021 for \$223.91 made payable to Pitney Bowes in their books as check number [REDACTED] on 4/19/2021 for \$223.91 made payable to Ohio Bureau of Workers Compensation.

4. Disbursement Records

Local 575 did not retain adequate documentation for disbursement checks on at least one occasion totaling \$500. Check number [REDACTED] dated 4/26/2021 for \$500.00 made payable to T.G. Russell for “repairs and maintenance” did not retain a receipt or invoice to help explain the purpose for the expense.

5. Credit Card Expenses

Local 575 did not retain adequate documentation for credit card expenses incurred by union officers and employees on at least 10 occasions. There were at least two more credit card transactions lacking documentation, but the officer/employee repaid the union due to losing the receipts.

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.

6. Disposition of Property

Local 575 did not maintain an inventory of shirts, sweatshirts, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the

information that must be reported in Item 28. The union must record in at least one record the date and amount received from each sale of union shirts, sweatshirts, and other items.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

Based on your assurance that Local 575 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 575 for the fiscal year ended December 31, 2021, was deficient in the following areas:

1. Subsidiary Organization

Item 11(b) of the LM-2 (During the reporting period did the labor organization have a subsidiary organization defined in Section X of these instructions?) should have been answered "Yes." Further, the union must choose one of the two options provided in the LM-2 instructions for reporting the building corporation.

2. Acquire/Dispose of Property

Item 15 [LM-2] (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 union apparel 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. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

3. Fixed Assets

Local 575 failed to report fixed assets in Schedule 6 – Fixed Assets as described in the LM-2 instructions. The union owned three automobiles during the 2021 fiscal year that are not reported on the union's LM-2 report.

4. Disbursements to Officers and Employees

Local 575 did not include some reimbursements to officers and employees / payments to officers and employees on at least eight occasions 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 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.

#### 5. Automobile Expenses

Local 575 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.

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.

#### 6. Failure to Itemize Disbursement

Local 575 did not properly report some "major" transaction(s) in Schedule(s) 15 - 19. A "major" transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. The audit found that the local did not itemize \$60,854.06 in disbursements to

cardmember services, \$5,020.41 to Frontier for utilities, and \$6,380 to Sollar Holler for repairs and maintenance.

I am not requiring that Local 575 file an amended LM report for 2021 to correct the deficient items, but Local 575 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issues

##### Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 575 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Electrical Workers Local 575 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: Joe Dillow, President  
Randy Brown, Treasurer