



August 15, 2023

Malik Grant, President
Electrical Workers UE Local 1135

Case Number: 320-6023666()
LM Number: 530198

Dear President Grant:

This office has recently completed an audit of Electrical Workers Local 1135 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 Financial Secretary Alicia Black on August 9, 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 1135's 2021 records revealed the following recordkeeping violations:

1. Disbursements to Vendors

Local 1135 did not retain adequate documentation for disbursements to vendors totaling at least \$305. For example, adequate supporting documentation was not retained for five debit card charges totaling \$290.09 that the union made to TLF Lockers Florist and Avas

Flowers throughout the audit year. In support of these expenses, Local 1135 only retained bank statements, which is not sufficient.

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. Lost Wages

Local 1135 did not retain adequate documentation for lost wage reimbursement payments to you, Vice President James Grant, and Chief Steward Susan Lee totaling at least \$1,923. 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 audit found that Local 1135 only retained check stubs and bank statements for the six lost wage reimbursements it made during the audit year. Four of the check stubs did not record the date(s) on which the lost time was incurred, how much lost time was incurred, the rate of pay for the time lost, or an adequate description of the union business conducted. The two remaining check stubs only recorded the date(s) on which the lost time was incurred or the amount of lost time being claimed.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 1135 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. Failure to Retain Deposit Receipts

The audit revealed that Local 1335 did not retain the deposit receipts it received from U.S. Bank for any of the deposits made during the audit year. At the opening interview, Financial Secretary Black stated they didn't retain the deposit slips because the deposits are listed on Local 1135's monthly bank statements. At the exit interview, Financial Secretary Black stated that Local 1135 will maintain all future deposit receipts.

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4. Failure to Record Receipts and Receipt Dates not Recorded

The audit revealed that Local 1135 did not adequately record in its receipts records dues remittance checks received from its members' employer totaling at least \$41,943 during the audit year. Because Local 1135 did not maintain a general ledger or retain any records for its receipts, other than its bank statements, their receipts records only reflect the dates the union deposited its receipts and do not record the source of its receipts or the dates they were received.

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. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Local 1135 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 1135 for the fiscal year ended June 30, 2021, was deficient in the following areas:

1. Statement A (Cash Balance)

The cash figure reported in Item 25 (B) (Cash, End of the Reporting Period) is not the figure according to Local 1135's bank records. According to Local 1135's checking, savings and certificate of deposit (CD) statements, their cash balance as of June 30, 2021 was \$37,461; however, the cash balance reported in Item 25 (B) was \$34,097. This discrepancy was due to Local 1135 not including the end-of-year balance of its CD account in the amount reported in Item 25 (B). The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

2. Officers and Disbursements to Officers

The audit revealed that Local 1135 did not report Chief Steward Lee as a union officer 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 audit also revealed that Local 1135 did not include lost time reimbursements to Chief Steward Lee totaling at least \$180 in the amounts reported in Item 24, Column D (Gross Salary). Local 1135's disbursements records indicate that Chief Steward Lee received gross salary (including lost time) totaling \$180; however, as noted above, Local 1135 did not report Chief Steward Lee or the \$180 paid to them in Item 24.

The union must report most direct disbursements to Local 1135 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 Expenses).

I am not requiring that Local 1135 file an amended LM report for 2021 to correct the deficient items, but Local 1135 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Debit Card Policy

You and Financial Secretary Black have union debit cards assigned to you that are associated with Local 1135's general fund checking account at U.S. Bank; however, Local 1135 has no written policy governing the use of the its debit cards. To ensure compliance with the LMRDA and safeguard union assets, OLMS recommends that Local 1135 establish a clear written policy or procedure for debit card use. The policy should include as much detail as possible, including the identification of authorized users, authorized and prohibited uses of the debit card, limitations on expenditure amounts, and documentation requirements. Please refer to the compliance tip sheet, *Union Credit Card Policy*, that was given to Financial Secretary Black at the exit interview for additional information regarding such policies.

2. Lost Wage Policy

Local 1135 reimburses officers/members for wages lost at Stryten (formerly Tulip) on occasions they are absent from work to conduct union business; however, the union does not have written policies that document its lost wage reimbursement policies.

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish best practices for

administering lost time payments. OLMS recommends that unions: (1) adopt clear policies and procedures for making lost time or similar payments, and (2) use vouchers that require detailed information to support lost time payments. These practices will allow the union to properly report lost time payments on the Labor Organization Annual Report, Form LM-3.

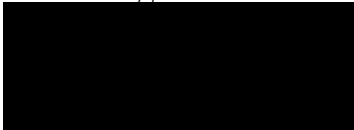
OLMS recommends that union policies and procedures for lost wages be reduced to writing and added to your union's bylaws or discussed at an executive board or membership meeting where they can be supported by entries in the meeting minutes. Once established, it is important that your union consistently follow its procedures for handling payments for lost time. You may want to have your union's trustees or auditors compare the steps taken to pay lost time with the union's policies to make sure that all required procedures are being followed. At the exit interview, I provided you with the compliance tip sheet, *Union Lost Time Payments*, for your reference.

3. Two Signatures on Checks

Local 1135's constitution requires all checks be jointly signed by the president and secretary-treasurer. The audit revealed that Local 1135 checks are only signed by Financial Secretary Black. 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. OLMS recommends that Local 1135 review its disbursements procedures to improve internal control of union funds.

I want to extend my personal appreciation to Electrical Workers Local 1135 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Alicia Black, Financial Secretary