U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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March 8, 2007

Mr. Bradley Stokes, Business Manager
International Brotherhood of Electrical Workers
Local 753
2902 East Division
Springfield, MO 65803

Re: Case Number: [redacted]

Dear Mr. Stokes:

This office has recently completed an audit of IBEW Local 753 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 on March 1, 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.

Reporting Violations

The CAP 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 753 for fiscal year ending December 31, 2005 was deficient in the following areas:

1. Certificates of deposit reported as investments.

   Local 753 erroneously reported funds in certificates of deposit as investments in Statement A (Assets and Liabilities). Local 753 purchased two CD's in 2005. Schedule 4 was completed for purchase of investments for these CD's. For LM reporting purposes, certificates of deposit are considered to be cash regardless of the length of their term. Therefore, Schedule 4 should not have been completed.

2. Purchase of Certificates of deposit listed as disbursements.

   The purchase or redemption of a certificate of deposit is simply a transfer of cash from one account to the other and therefore should not be reported either as a receipt or disbursement. By completing a Schedule 4 for the purchase of investments, the disbursements for the 2005 report were inflated by $40,000.

3. Netting of receipts and disbursements.

   During the audit, a review of the total receipts and disbursements listed on the LM-2 report was conducted. The amounts listed for receipts and disbursements were approximately $7,000 less than what the undersigned calculated. After further review, it appeared that some of the disbursements to officers and reimbursements by the officers may not have been properly reported. You stated that the accountant completed the LM report for 2005. It appears that the account may have netted some of the expenses and receipts regarding phone bills and travel expenses. According to the LM instructions, "netting is not permitted." Netting is the offsetting of receipts against disbursements and reporting only the balance as either a receipt or disbursement. You stated that Local 753 will be completing the LM report themselves and will make sure that receipts and disbursements will not be netted on the 2006 report.

I am not requiring that Local 753 file an amended LM-2 report for 2005 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

Other Violations

The audit revealed a violation of LMRDA Section 502 (Bonding) which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 753's officers and employees are currently bonded for $50,000, but they must be bonded for at least $59,000. The union should obtain adequate bonding coverage for its officers and employees immediately. You agreed to provide proof of bonding coverage to this office as soon as adequate coverage has been obtained.

Other Issues

During the audit, you advised that the president or treasurer may sign blank checks in advance. You stated that this only occurs when one of them may be going on vacation or will be out of town for an extended period of time. Your union's bylaws require that all checks be signed by the president and treasurer. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. You may want to revise your check disbursement method.

I want to extend my personal appreciation to IBEW Local 753 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,

[redacted]
Investigator