

**U.S. Department of Labor**

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September 29, 2009

Mr. Robert Reynolds, President  
IBEW Local 1759  
P.O. Box 1791  
Loveland, CO 80539

LM File Number: 501-651  
Case Number: [REDACTED]

Dear Mr. Reynolds:

This office has recently completed an audit of IBEW Local 1759 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Civil Service Reform Act of 1978 (CSRA), 5 U.S.C. 7120, and the Department's regulations, 29 CFR 458. As discussed during the exit interview with you, Treasurer Kellogg, and Financial Secretary Roland on September 25, 2009, 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 of the LMRDA and Title 29 of the Code of Federal Regulations (C.F.R.) Section 403.7 require, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained and clarified. Pursuant to 29 C.F.R. Section 458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the Civil Service Reform Act of 1978 (CSRA) as well. Therefore, as a general rule, labor organization must retain 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 1759's 2008 records revealed the following recordkeeping violations:

1. Reimbursed Expenses

Local 1759 did not retain adequate documentation for reimbursed expenses incurred by [REDACTED]. OLMS found no voucher or support documentation for a check to [REDACTED] totaling \$355.99.

As previously 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. Voided Checks

Local 1759 did not retain voided checks. You should keep all voided checks so that all the checks can be accounted for.

3. Information not Recorded in Meeting Minutes

During the audit, OLMS found several vouchers that indicated that certain expenses were approved at an executive board meeting. However, some of Local 1759's executive board meeting minutes were missing. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

4. Lack of Appropriate Authorization for Expense Claims

Your vouchers require the president's and recording secretary's signatures. Several vouchers lacked a second signature indicating approval for the expenses claimed on those vouchers.

Based on your assurance that Local 1759 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

### Reporting Violations

Pursuant to 29 C.F.R., Section 458.3, the reporting requirement under 29 C.F.R. Section 403.2 (see Section 201(b) of the Labor-Management Reporting and Disclosure Act (LMRDA)) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The audit disclosed a violation of this requirement. The Labor Organization Annual Report Form LM-3 filed by Local 1759 for fiscal year ending December 31, 2008 was deficient in the following areas:

#### 1. Disbursements to Officers

Local 1759 did not include some reimbursements to officers totaling at least \$4,500 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 1759 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 Expense).

#### 2. Failure to File Bylaws

Pursuant to 29 C.F.R. Section 458.3, the requirement under 29 C.F.R. Section 402.4 implementing LMRDA Section 201(a) is made applicable to labor organizations

subject to the requirements of the CSRA. This provision requires labor organizations to file copies of any revised constitution and bylaws when it files its annual financial report. The audit disclosed a violation of this requirement. Local 1759 amended its constitution and bylaws in 2008, but did not file the required copies with its LM report for that year.

Local 1759 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 1759 file an amended LM report for 2008 to correct the deficient items, but Local 1759 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Violations

The audit disclosed the following other violation(s):

##### Inadequate Bonding

Pursuant to 29 C.F.R. Section 458.35, officers and employees of any labor organization subject to the CSRA are required to be bonded in accordance with Section 502(a) of the LMRDA. This provision requires that union officers and employees be bonded for no less than 10% of the total funds those individuals or their predecessors handled during the preceding fiscal year. Officers and employees of Local 1759 are currently bonded for \$10,000; however, they must be bonded for at least \$23,907.

Local 1759's officers and employees are currently bonded for \$10,000, but they must be bonded for at least \$23,907. You notified me that you have increased your bond to \$30,000. Please provide proof of bonding coverage to this office as soon as possible, but not later than October 9, 2009.

#### Other Issues

##### 1. Signing Blank Checks

During the audit, you advised that in the past officers have signed blank checks. Your union's constitution requires that all checks be signed by the president and treasurer. 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1759 review these procedures to improve internal control of union funds.

2. Extra Salary Check to Officer

OLMS found that in 2008 Local 1759 mistakenly wrote an extra salary check to former Vice President [REDACTED] for \$166.24. You agreed to resolve this issue by having the officer repay the local or by having your executive board authorize the overpayment. Please notify me once this matter has been resolved.

3. Salary Checks to Officers for Incorrect Amount

Officers' monthly salaries are based on their hourly rate at their regular jobs. OLMS found that in 2008 some officers did not receive the appropriate salary because the officers failed to notify Local 1759 of increases in their hourly rates. You agreed to take steps to insure that officers receive the appropriate salary such as having them fill out vouchers for their monthly salary.

I want to extend my personal appreciation to IBEW Local 1759 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

cc: Mr. James Kellogg, Treasurer  
Mr. James Roland, Financial Secretary

Letter/Mr. Robert Reynolds

September 29, 2009

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