



September 15, 2011

Mr. Michael Brookes, Business Manager/Secretary Treasurer  
IBEW Local 55  
1435 NE 54th Street  
Des Moines, IA 50313

Case Number: [REDACTED]  
LM Number: 042156

Dear Mr. Brookes:

This office has recently completed an audit of IBEW Local 55 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 Treasurer Terri Vitiritto on August 11, 2011, 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.

#### Record Keeping 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 55's records for fiscal year ending June 30, 2010 revealed the following recordkeeping violations:

#### 1. Meal Expenses

Local 55 officers and employees did not submit itemized receipts for all meal expenses when using the union credit card. The union must maintain itemized receipts provided by

restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Both former officers ( [REDACTED] and [REDACTED] ) and current officers of Local 55 failed to provide adequate documentation for all meal purchases.

When Local 55 officers provided meal receipts they did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

## 2. Information Not Recorded in Meeting Minutes

During the audit, Mr. Brookes advised OLMS that the membership and executive board authorized the monthly expenses of Local 55. A review of the membership meeting minutes for 2008-2010 revealed the local did not document approval for large and unusual expenses, including expenses associated with trips for executive board officers. The meeting minutes did not address purchase of vehicles, investments, payments related to I-Green, or salary authorizations.

You mentioned that many of these items were discussed in the meetings but not always recorded in the minutes. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 55 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 55 for the fiscal year ended June 30, 2010, was deficient in the following areas:

#### 1. Disbursements to Officers and Employees (LM-2)

Local 55 did not include some reimbursements to officers and employees / payments to officers and employees 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 failed to properly report purchases made by union officers and employees for union related expenses. This includes checks written to the individual officers and employees as well as charges made with the union credit card. Many of the charges and reimbursements should have been reported next to the officer's name on Schedules 11 and 12, but were not. You were made aware of the types of charges that must be reported next to the officer's name on the LM-2 report.

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 (LM-2)

Local 55 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.

Each officer is assigned a car owned by the union and uses the union credit card for expenses related to that automobile. These expenses include gasoline, oil changes, and routine maintenance. Local 55 also reimburses each officer for their auto insurance. These payments were not properly reported next to the officer's names on the LM-2 report.

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.

I am not requiring that Local 55 file an amended LM-2 report for 2010 to correct the deficient items, but Local 55 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Violations

#### Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local 55's officers and employees are currently bonded for \$315,000 but they must be bonded for at least \$327,000. Local 55 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible.

### Other Issues

#### 1. Personal use of Credit Cards

The audit revealed that Local 55 previously permitted officers and employees to use union credit cards to pay for personal expenses. Although officers and employees promptly repaid Local 55 for the personal expenses charged, OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds. The records show this was a practice that has been used by all officers, both past and present. You stated Local 55 is no longer allowing officers to use the credit card for personal expenses.

If an officer uses the union credit card for personal expenses, those charges must be reported next to their name on Schedules 11 and 12 of the LM-2 report. Each reimbursement made by the officer or employee should be shown as a receipt on the LM-2 report, netting is not permitted.

#### 2. I-Green

The audit revealed payments from the Local 55 general checking account to a consulting firm and a law firm for I-Green related expenses. It also showed checks paid to an accounting firm and payments directly to I-Green. Although backup documentation was maintained for all expenses, neither the executive board nor the general membership meeting minutes addressed all the payments.

Former Business Manager [REDACTED] and former Assistant Business Manager [REDACTED] were kept on the payroll for January and February 2011 while no longer working for Local 55 and solely conducting work for I-Green. This decision was not documented in the meeting minutes. Also, both the title for the car assigned to [REDACTED] and the car assigned to [REDACTED] were transferred to I-Green. This decision was not documented in the meeting minutes. Both automobiles have since been returned to Local 55 and the titles have been transferred back.

Local 55 has maintained a spreadsheet of all expenses incurred relating to the I-Green project. You explained Local 55 is in the process of seeking reimbursement from I-Green for these expenses.

I want to extend my personal appreciation to IBEW Local 55 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]

Senior Investigator

cc: Mr. Bob Henry, Attorney