



December 30, 2016

Mr. Charles S. Hughart, Business Manager  
IBEW Local 702  
106 N. Monroe  
West Frankfort, IL 62896

Case Number: 510-6006959  
LM Number: 022643

Dear Mr. Hughart:

This office has recently completed an audit of IBEW Local 702 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, Accountant Dennis Hawkins, and Bookkeeper Gina Noble on December 20, 2016, 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 702's records for the audit year revealed the following recordkeeping violations:

#### 1. General Disbursements and Credit Card Expenses

Local 802 did not retain adequate documentation for some union disbursements totaling at least \$2,754.95. For example, the union did not maintain a receipt or invoice to explain

and clarify the following disbursements: six separate disbursements totaling \$603.42 (\$100.57 each) to Wyndham Garden Hotel, Urbana, IL on August 9, 2015; a \$1,012.00 disbursement to the University of Illinois Ticket Office on September 3, 2015; a \$711.53 disbursement to Sheraton Indianapolis, Indiana on October 23, 2015; a \$150 disbursement to Saks 5<sup>th</sup> Avenue, Glendale, Arizona on December 1, 2015; and a \$278 disbursement to Sheraton Hotels, Clearwater, Florida on March 24, 2016.

Local 802 did not retain adequate documentation for credit card expenses totaling at least \$12,659.44. While in most instances a receipt was kept for the expense, many charges did not have an itemized receipt as a backup record. Itemized receipts are required. For example, Business Representative Justin Wright incurred at least \$4,220.93 of charges where an itemized receipt was not kept. Business Representative Josh Holmes incurred at least \$1,970.95 of charges where an itemized receipt was not kept. Business Representative Gregory Millsap incurred at least \$1,243.37 of charges where an itemized receipt was not kept. Business Representative Dennis Peterson incurred at least \$3,217.48 of charges where an itemized receipt was not kept. Finally, Business Representative Bradley Beisner incurred at least \$2,006.71 of charges where an itemized receipt was not kept.

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.

Based on your assurance that Local 702 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 audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Union record show the local's proposed amendments to their bylaws were approved by a letter dated September 29, 2015. A copy of the amended bylaws was not filed with its LM report for that year.

Local 702 has now filed a copy of its most recent constitution and bylaws.

Local 702 has agreed to properly file any amended bylaws with any future LM reports it files with OLMS.

#### Other Issue

During the audit, you advised that blank checks are occasionally signed by the president or 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 702 review these procedures to improve the internal control of the union.

I want to extend my personal appreciation to IBEW Local 702 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 Sanchez, President

[REDACTED]