



April 10, 2018

Mr. Brandon Rudolph, Treasurer
Electrical Workers Local 1602
[REDACTED]

Case Number: 140-6012430 [REDACTED]
LM Number: 036481

Dear Mr. Rudolph:

This office has recently completed an audit of Electrical Workers Local 1602 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 President Robert Witmer on April 9, 2018, 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 1602's 2017 records revealed the following recordkeeping violations:

1. Lack of Backup Documentation for Disbursements and Reimbursed Expenses

Local 1602 did not retain adequate documentation for disbursements totaling at least \$850. For example, on April 4, 2017, the local wrote check [REDACTED] to System Council U22 for \$600, but did not retain backup documentation, such as a bill, invoice, or receipt.

Local 1602 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$1,050. For example, Treasurer Brandon Rudolph used personal funds totaling \$150.00 to pay an outside entity to prepare the local's taxes and on April 22, 2017 was reimbursed by the local for the expense he incurred. Local 1602 did not retain backup documentation, such as a bill, invoice, or receipt for the reimbursement.

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. Please review compliance assistance tip sheet *LMRDA Recordkeeping Requirement for Unions*, which can be found on the OLMS website (www.dol.gov/olms).

2. Meal Expenses

Local 1602 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$740. 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.

Local 1602 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, President Robert Witmer was reimbursed \$34.32 on July 7, 2017 for a meal. The union purpose of the meal and those who attended the meal were not recorded in the local's records. 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.

3. Lost Wages

Local 1602 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees on at least 21 occasions. 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 OLMS audit found that Local 1602, did not retain vouchers for at least six lost time payments. The local retained vouchers for the other 15 lost time payments; however, all of these vouchers were missing some of the required information listed above.

Please review compliance assistance tip sheet *Union Lost Time Payments*, which can be found on the OLMS website. This tip sheet contains a sample of an expense voucher Local 1602 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.

4. Lack of Authorization for Monthly Cell Phone Reimbursement

President Witmer received a monthly reimbursement of his cell phone bill. Local 1602 did not maintain records to verify that the monthly cell phone reimbursement, which was reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3, was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary and allowances authorized by the entity or individual in the union with the authority to establish salaries and allowances.

5. Receipt Dates not Recorded

Entries in Local 1602's receipts journal reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) 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. Please review compliance assistance tip sheet *Recordkeeping For and Reporting of Receipts*, which can be found on the OLMS website.

Based on your assurance that Local 1602 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

Failure to File Bylaws

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. Local 1602 amended its constitution and bylaws in 2010, but did not file a copy with its LM report for that year.

Local 1602 has now filed a copy of its constitution and bylaws.

Other Violation

The audit disclosed the following other violation:

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 1602's officers and employees are currently bonded for \$10,000, but they must be bonded for at least \$10,335. Local 1602 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than April 30 2018.

Other Issues

1. Duplicate Receipts

Members of Local 1602 paid initiation fees directly to the union. The union officer collected the initiation fees, but he did not issue receipts to those members. OLMS recommends that Local 1602 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

2. Information not Recorded in Meeting Minutes

During the audit, Mr. Witmer provided OLMS with Local 1602's expense and procedures written policy. The policy states that all union expenses and bills that are not standing bills shall be approved by the membership. A list of standing bills is included in the written policy. In many instances, particularly payment of lost time claims, the minutes of the membership meeting do not contain any reference to approval of non-standing bills and expenses. OLMS recommends that unions follow the practices and procedures outlined in any written policies approved by the union. Please review compliance assistance tip sheet *Authorization and Documentation of Expenditures*, which can be found on the OLMS website. This tip sheet discusses how authorization may be documented for recurring and non-recurring disbursements.

I want to extend my personal appreciation to Electrical Workers Local 1602 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,


Investigator

cc: Mr. Robert Witmer, President