



September 28, 2018

Mr. Victor Boldon, President
Electrical Workers, IBEW, AFL-CIO, Local 1147
220 Johnson Street
Wisconsin Rapids, WI 54495

Case Number: 320-6014589
LM Number: 015041

Dear Mr. Boldon:

This office has recently completed an audit of Electrical Workers, IBEW Local 1147 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, Treasurer Phil Grych, Office Manager Carol Burna, and IBEW International Representative Shawn Reents on September 28, 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 1147's 2017 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Entries into Roberts Custom Software (RCS), Local 1147's bookkeeping software program, reflect the date the union deposited money, but not the date money was

received. Local 1147 also records receipt information on handwritten duplicate receipts. However, these receipts are created on the date of the deposit and not the date on which the union actually received the money.

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.

2. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$1,400 during 2017. Although all the claims for mileage were generally identified on a union expense form, the information on the vouchers did not include the starting and ending destinations of travel and some of the expense forms also failed to adequately identify the dates on which the mileage expenses were incurred.

The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Fixed Assets

The LM-3 filed by Local 1147 for 2017 reported fixed assets totaling \$141,449 at the beginning of the audit year (Item 29(A) Fixed Assets, Start of Reporting Period) and \$136,989 at end of the audit year (Item 29(B) (Fixed Assets, End of Reporting Period); however, Local 1147 failed to retain sufficient records to verify the accuracy of those figures. Accountant workpapers prepared by [REDACTED] for the Form LM-3 show that the value of the land and building owned by Local 1147 account for \$138,530 of the total fixed assets reported at the beginning the year and \$134,397.97 of the total fixed assets reported at the end of the year. The workpapers also show that the remaining value of the fixed assets at both the beginning and end of the year is the depreciated value of the “equipment” owned by Local 1147, but the workpapers do not provide a detailed breakdown of the depreciated value of each piece of equipment. During the audit, Local 1147 provided an equipment inventory list that identified the type of equipment owned by the union, but did not contain any additional information, such as the purchase date or purchase price of the equipment, to determine how Local 1147 calculated the remaining amounts reported in Items 29(A) and 29(B) of the report. In addition, the inventory list

maintained by Local 1147 does not include any of the building's assets, such as the furniture in the shared meeting rooms and the soda machine in the hallway.

In the case of fixed assets, the union must maintain a written or electronic inventory or other similar record identifying each fixed asset and the cost and depreciation of each fixed asset. Such records are required to be retained to verify, clarify, and support information required to be reported in Item 29 of the LM-3 Report.

4. Disposition of Property

The membership meeting minutes revealed that Local 1147 gave away pocket knives, flashlights, and union t-shirts as door prizes to members at monthly membership meetings. Local 1147 did not maintain an inventory of pocket knives and other property it purchased and subsequently gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

Based on your assurance that Local 1147 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-3) filed by Electrical Workers Local 1147 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. Failure to Report a Certificate of Deposit as Cash

During the audit year, Local 1147 held eight separate certificates of deposit (CDs) at three different banking institutions. The accountant workpapers prepared by [REDACTED] confirmed that only seven of the eight CD's are included in the amounts reported as cash at the beginning of the year (Item 25(A)) and at the end of the year (Item 25(B)). Local 1147 failed to report a CD held at US Bank with a value of \$95,618.16 at the beginning of the year and a value of \$96,239.59 at the end of the year in Items 25(A) and 25(B), respectively.

The LM-3 Instructions require that all of an organization's cash on hand and on deposit at the start and end of the reporting period must be included in Items 25(A) and 25(B). Cash on deposit includes funds in banks, credit unions, and other financial institutions

such as checking accounts, savings accounts, certificates of deposit, and money market accounts.

In addition, the unreported CD also earned interest of \$621.43 during the audit period. The accountant's workpapers confirm this amount was not included as a receipt in the amount reported in Item 41 (Interest and Dividends). The total amount of interest and dividends received by Local 1147 during the audit year must be reported in Item 41.

2. Other Assets

The audit revealed that Local 1147 purchased pocket knives from Dynamic Online Marketing Corporation on two occasions during the audit period. The invoices retained by Local 1147 show that 60 different knives were purchased at a cost of \$25 per knife (\$1,500). The membership meeting minutes for the audit period confirm that Local 1147 gave away approximately ten knives to members as door prizes during membership meetings and the names of the winners of the knife raffles were identified in the minutes for each month in which knives were given away. The audit found no additional records showing that the remaining knives were sold or given away to members at other events. During the exit interview, you and Ms. Burna confirmed that Local 1147 had an inventory of at least 50 knives on hand at the end of the reporting period with a value of approximately \$1,250. However, Local 1147 reported \$0 in Item 30 (B) (Other Assets at End of Reporting Period).

Local 1147 must include the value of its inventory of knives and other similar items on hand at the beginning and end of the year in the amount of other assets reported in Items 30(A) and 30(B), respectively.

3. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away knives, flashlights, and union t-shirts totaling at least \$300 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

4. Fund Transfers Reported as Receipts and Disbursements

The audit revealed that Local 1147 transferred \$5,168.81 from the general fund checking account to the union's building fund checking account for rent and other building related expenses. Local 1147 erroneously reported these transfers as both receipts and disbursements in Statement B (Receipts and Disbursements) of the LM-3 Report.

The purpose of Statement B is report the flow of cash in and out of your organization during the reporting period. Transfers between separate bank accounts do not represent the flow of cash in and out of your organization. Therefore, these transfers should not be reported as receipts or disbursements of your organization.

The audit also found that Local 1147 issued seven checks totaling \$382.22 from the general fund checking account to Local 1147 for the purpose of paying dues on behalf of members. These checks were also included as receipts and disbursements in Statement B. Payments from a union to itself are also considered to be fund transfers and should not be reported in Statement B.

5. 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 1147 amended its constitution and bylaws in 2016, but did not file a copy with its LM report for that year.

Local 1147 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 1147 file an amended LM report for 2017 to correct the deficient items, but Local 1147 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Electrical Workers Local 1147 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. Bruce Zdroik, Vice President
Mr. Phil Grych, Treasurer
Ms. Kathleen Sailer, Recording Secretary
Mr. William Hoff, Executive Board