

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Minneapolis Resident Investigative Office
900 Second Avenue South, Room 450
Minneapolis, MN 55402
(612)370-3111 Fax: (612)370-3107



September 18, 2007

LM File Number 011-715
Case Number: [REDACTED]

Mr. Lyle Thronson Sr., President
Electrical Workers Local 294
503 East 16th Street
Hibbing, MN 55746

Dear Mr. Thronson:

This office has recently completed an audit of Electrical Workers Local 294 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 Business Manager Scott Weappa, Treasurer James Petroskey, Office Manager Melody Stafferoni, accountant Kaija Isaacson, and you on September 18, 2007, 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 294's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 294 did not retain adequate documentation for credit card expenses incurred by Business Manager Scott Weappa and you totaling at least \$3,423. For example, no receipt was retained for an expense on your credit card for \$327.95 on October 20, 2006 at Bally's in Las Vegas. This was one of several hotel bills missing from Local 294 records. Other expenses missing documentation included meals and gas credit card purchases.

In addition, Local 294 did not require officers and employees to submit itemized receipts for some of the more than \$2,700 meal expenses incurred during 2006. 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.

Finally, Local 294 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, the receipt for a meal expense incurred by Business Manager Scott Weappa at a hotel in International Falls of \$101.23 included only a note that it was for food and drinks with members, but did not include the names of those present. Documentation for another charge incurred by Mr. Weappa at Breezy Point Resort for \$91.50 on June 2, 2006 was not retained. A faxed copy from the resort shows that 26 drinks were purchased. This expense is not included on any expense vouchers. 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.

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. Union Owned Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) of the LM-2.

Local 294 incurred expenses totaling at least \$4,000 for automobiles during 2006. However, Local 294 did not maintain records documenting business versus personal use of the union vehicles.

The LM-2 instructions include specific rules for the reporting of automobile expenses. Operating and maintenance costs for owned or leased vehicles must be reported in Schedule 11 of the LM-2, allocated to the officer or employee to whom each vehicle is assigned. Although Local 294 did include vehicle costs in the amounts reported in Schedule 11, the amount reported was based on an estimate which is not supported by adequate documentation.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

3. Disposition of Property

Local 294 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The value of any union property on hand at the beginning and end of each year must be reported in Item 28 of the LM-2. An inventory or similar record of property on hand must also be maintained to verify, clarify, and explain the information that must be reported in Item 28.

In addition, the date and amount received from each sale of union hats, jackets and other items must be recorded in at least one record.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 294's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or

falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 294 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Item 15 - Disposition of Assets

Item 15 (Disposition of Assets) should have been answered, "Yes," because Local 294 gave away items totaling at least \$500 at the annual picnic. The type and value of any property received or given away must be reported in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. Every recipient of such giveaways must be itemized by name. Recipients can be described by broad categories if appropriate such as "members" or "new retirees." In addition, the cost, book value, and trade-in allowance for assets that it traded in must be reported.

2. Item 19 - Next Election

Local 294 incorrectly reported the date of its next election as June 2007. The last election was held in June 2005, and the next election is to be held in June 2008.

3. Item 28 - Other Assets

Local 294 did not report any amounts in Items 28A (Other Assets - Beginning of Year) or Item 28B (Other Assets - End of Year). However, the audit revealed that the Local sells t-shirts, sweatshirts, and various other items to members and that some items were on hand at the end of the year. The value of items on hand at the beginning and end of the reporting period must be reported in Item 28.

I am not requiring that Local 294 file an amended LM report for 2006 to correct the deficient items, but Local 294 has agreed to properly report the deficient items on all future reports it files with OLMS.

Mr. Lyle Thronson Sr.
September 18, 2007
Page 5 of 5

I want to extend my personal appreciation to Electrical Workers Local 294 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: Scott Weappa, Business Manager
James Petroskey, Treasurer
Kaija Isaacson, accountant
Greg Shafranski, IBEW 6th District Representative