

U.S. Department of Labor

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Office of Labor-Management Standards
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November 7, 2007

Mr. Milford W. Cupp, President
IBEW LU 84765
2360 Norwood Ave
Norwood, OH 45212

LM File Number: 050-419
Case Number: [REDACTED]

Dear Mr. Cupp:

This office has recently completed an audit of IBEW LU 84765 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, Financial Secretary Randell Wilson, and CPA [REDACTED] on July 13, 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 84765's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 84765 did not retain adequate documentation for reimbursed expenses incurred by you and 2nd Shift Chief Steward Charles Edmondson totaling \$52.71. You had no supporting documentation for check [REDACTED] made payable to you for \$13.05. Mr. Edmondson did not provide his cell phone bill when he submitted a voucher requesting reimbursement in support for check [REDACTED] for \$39.66.

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. General Records

Local 84765 failed to maintain records that support the general course of union business. For example Local 84765 was unable to provide OLMS with bank statements from [REDACTED] for their certificate of deposit [REDACTED]. The union also failed to retain deposit slips to support the deposit of rent monies collected during the audit year.

According to Section 206 of the LMRDA, records must be maintained on the matters required to be reported which will provide in sufficient detail the necessary basic information and data from which the documents filed can be verified, explained and checked for accuracy and completeness.

3. General Expenses

Local 84765 did not retain adequate documentation for expenses incurred by the union. For example, OLMS was unable to locate an invoice or receipt from [REDACTED] to support check [REDACTED] for \$2,962.00. The union also lacked proper documentation for transactions at [REDACTED]. The receipts provided were not itemized and lacked detail as to the reasons for the purchases.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The union must maintain itemized receipts to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. 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 and complying with the LMRDA requirements.

4. Checks to Cash

At least one check for \$200.00 was discovered by OLMS made payable to cash during the 2006 audit year. There was a notation in the meeting minutes indicating the check was for the removal of the union hall's old furnace, but there was no invoice or receipt supporting this disbursement.

OLMS does not require unions to refrain from writing checks to cash. However, under the LMRDA a record is required to provide sufficient detail for any union monies negotiated during the general course of union business.

5. Lost Wages

In general, Local 84765 maintained vouchers in support of lost time payments. However, the audit disclosed one instance where Local 84765 was missing a voucher for a lost wage reimbursement payment to Financial Secretary Wilson totaling \$123.39. OLMS also found three instances where the officer or employee claiming lost time failed to identify the date union business was conducted or the number of hours claimed. 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.

6. Disposition of Property

Local 84765 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or 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.

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

7. Inventory of Fixed Assets

Local 84765 did not maintain an inventory of its fixed assets during the 2006 audit year. An inventory should be kept to verify, support, and clarify the amounts reported in item 29 of the LM-3. The union must report details of all fixed assets, such as land, buildings, automobiles, office furniture and equipment owned by your organization at the end of the reporting period. This includes assets that were expensed, fully depreciated, or carried on your organization's books at scrap value.

The inventory kept by the union should record a detailed description of what was purchased, the date of the purchase, the amount of the purchase and the depreciated value. The report should be kept with the union records.

8. Lack of Salary Authorization

Local 84765 did not maintain records to verify that the salaries 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 authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 84765 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 Local 84765 for fiscal year ending September 30, 2006, was deficient in the following areas:

1. Disbursements to Officers

Local 84765 did not include some reimbursements to officers totaling at least \$3,000.00 in the amounts reported Item 24 (All Officers and Disbursements to Officers). The amounts should have been reported on column E of Item 24 (Allowances and Other Disbursements).

The union must report most direct disbursements to Local 84765 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

Local 84765 also failed to report the taxes withheld on Item 24 (All Officers and Disbursements to Officers) Line 10 (Less Deductions). The amount of \$28,153.00 reported under Net Disbursements on Line 11 of Item 24 is incorrect. The amount does not include income withheld for tax purposes and reimbursement checks to officers for the 2006 audit year.

2. 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 84765 amended its constitution in 1999, but did not file a copy with its LM report for that year.

Local 84765 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 84765 file an amended LM report for 2006 to correct the deficient items, but Local 84765 has agreed to properly report the deficient items on all future reports it files with OLMS.

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 84765's officers and employees are currently bonded for \$20,000.00, but they must be bonded for at least \$22,300.00. Local 84765 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 December 15, 2007.

I want to extend my personal appreciation to IBEW LU 84765 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,

Lesta A. Chandler
District Director

cc: Mr. Randell Wilson, Financial Secretary
[REDACTED], CPA