



March 24, 2020

Mr. Ronald Vaden, Treasurer  
IBEW Local 1758  
730 Section Line St.  
Malvern, AR 72104

Case Number: 420-6017812  
LM Number: 055047

Dear Mr. Vaden:

This office has recently completed an audit of IBEW Local 1758 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 on February 25, 2020, 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 1758's 2019 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 1758 did not retain adequate documentation for reimbursed expenses incurred by President Phillip Corley totaling at least \$63.96 and Financial Secretary Terrence Murray totaling at least \$350. For example, Local 1758 reimbursed Corley for a flower purchase he made, but did not obtain a copy of the flower purchase receipt. Another example is Local 1758 reimburses Murray for part of his internet bill, but Murray was not turning in his internet bills to Local 1758.

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.

2. Failure to Maintain Cancelled Checks

Local 1758 failed to maintain their cancelled checks, but has agreed to start obtaining a copy of these from their credit union.

3. Failure to Maintain Meeting Minutes

Local 1758 failed to maintain their membership meeting minutes for the audit year. During the opening audit interview, Local 1758 officers stated that potential expenditures are discussed and voted on in the membership meetings. Since approvals for expenditures are made in the membership meetings, then Local 1758 must maintain their meeting minutes.

4. Failure to Maintain Complete Deposit Records

Local 1758 failed to maintain a record of the dues checks a member deposited directly into Local 1758's checking account. Union receipt records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

Based on your assurance that Local 1758 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 LM-3 filed by Local 1758 for the fiscal year ended June 30,

2019, was deficient in the following areas:

1. Bond Amount

Local 1758 mistakenly reported having a \$50,000 bond in Item 20, when they actually have a \$5,000 bond.

2. Disbursements to Officers

Local 1758 did not include some reimbursements to officers totaling at least \$2,656 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 Office and Administrative Expenses.

Local 1758 also did not include some lost wage payments made to officers totaling at least \$1,874 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 25 To Employees.

The union must report most direct disbursements to Local 1758 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).

3. Account Balances

Local 1758 failed to report accurate beginning and ending balances in Items 25A & B.

4. Receipts

Local 1758 failed to report their total dues income in Item 38 Dues. Local 1758's only source of receipts is dues income. They mistakenly reported dues paid to IBEW Systems Council in Item 38 Dues.

5. Per Capita

Local 1758 mistakenly reported only \$8,901 in Item 47 Per Capita when Local 1758 paid \$10,624.26 in per capita to IBEW International and \$8,581.65 to IBEW Systems Council.

6. Office and Administrative Expenses

Local 1758 mistakenly reported \$2,685 in Item 48 Office and Administrative Expenses when they only paid \$69.74 in office supplies.

7. 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. Since 1971, Local 1758 amended its constitution and bylaws in 1991, 1996, 2001, and 2016, but did not file a copy with its LM report for those years.

Local 1758 has now filed a copy of its current constitution and bylaws.

Local 1758 must file an amended Form LM-3 for the fiscal year ended June 30, 2019, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). The amended Form LM-3 must be filed no later than **April 24, 2020**. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Violation

The audit disclosed the following other violation:

Local 1758 failed to maintain written authorization for the practice of reimbursing the financial secretary half of his internet bill. Local 1758 officers stated that it was a past practice that former officers stated was permissible.

Other Issues

1. Lost Time

In the opening interview, Local 1758 officers stated that officers are only paid lost wages when they lose time from work to work on union business at their employer rate. OLMS' audit revealed one discrepancy. When Treasurer Vaden claimed lost time for January 16, 2019, he was paid at a higher rate than his employer rate and overpaid \$28.24. OLMS recommends that Local 1758 follow Article V, Section 3 of their bylaws that requires officers to provide documentation in support of all authorized union expenditures. In this case, officers/members should provide payroll records showing his/her hourly pay rate and that he/she lost time from work to work on union business.

2. IRS Form 1099 Amounts

Local 1758 failed to report the total amount paid to Officers Terrence Murray and President Phillip Corley on their Form 1099's for calendar year 2018.

### 3. Signing Blank Checks

During the audit, you advised that Treasurer Ronald Vaden and Financial Secretary Terrence Murray sign blank checks. Your union's constitution requires that all checks be signed by two officers. 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 1758 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to IBEW Local 1758 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,



Senior Investigator

cc: Mr. Terrence Murray, Financial Secretary  
Mr. David Stephens, International Representative