



February 21, 2020

Mr. Michael Leonard, Business Manager/Financial  
Secretary  
Electrical Workers Local Union 444  
615 W. Grand Ave.  
Ponca City, OK 74601

Case Number: 420-6017733  
LM Number: 058643

Dear Mr. Leonard:

This office has recently completed an audit of Electrical Workers Local Union 444 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 10, 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 Violation

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 444's 2019 records revealed the following recordkeeping violation:

#### Failure to Maintain Complete Deposit Records

Local 444 failed to keep a record of the source(s) of the cash included in each deposit. 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 444 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. Although Local 444 has not yet filed the 2019 LM-3, the audit disclosed numerous reporting deficiencies on the 2018 LM-3 report. Consequently, the Labor Organization Annual Report LM-3 filed by Local 444 for the fiscal year ended December 31, 2018, was deficient in the following areas:

#### 1. Disbursements to Officers and Employees

Local 444 did not report the names of some officers in Item 24 (All Officers and Disbursements to Officers). For example, Local 444 did not list the Executive Board members: Larry Fry Jr., Ron Kraft, Jeffrie Bradbury, Josh Turner, and Jeremy Martin. The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

Local 444 did not include some indirect disbursements that Business Manager/Financial Secretary Michael Leonard paid via union credit card, such as restaurant charges, parking, and luggage fees, totaling at least \$1,978.93 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 Other Disbursements.

Local 444 reported the salary paid to Treasurer Robert Peterson for time spent working on union business in column E Allowances and Other Disbursements instead of column D Gross Salary, next to his name.

Local 444 did not report the taxes deducted from Business Manager/Financial Secretary Michael Leonard's salary in the "Less Deductions" line of Item 24.

Local 444 erroneously reported \$1,540.80 in lost time paid to members in Item 50 Benefits. If those members were on the executive board, the lost time should have been reported next to their names in Item 24. If not, then the lost time should have been reported in Item 45 To Employees.

The union must report most direct disbursements to Local 444 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).

2. Loans Receivable & Loans Payable

Local 444 erroneously reported checks written between Local 444's general checking account and Local 444's building corporation account as Loans Receivable in Items 26A & 26B and Loans Payable in Items 33A & 33B.

3. Investment Account

Local 444 reported \$22,486 of "change of value of Local 444's investments" in Item 54 Other Disbursements to get the report to balance. OLMS advised Local 444 to start reporting Local 444's entire investment account in Items 28A & 28B Investments.

4. Fixed Assets

Local 444 failed to report the value of the union hall building in Items 29A & 29B Fixed Assets. OLMS explained that since the building corporation was included in Local 444's LM report, it should have been included in Items 29A & 29B.

5. Receipts

Local 444 erroneously reported the total dues as the total amount of dues received minus per capita paid to IBEW International, instead of reporting the total dues received in Item 38 and reporting the total per capita paid in Item 47.

Local 444 erroneously reported that Local 444 received per capita income in Item 39 when Local 444 did not receive any per capita income.

Local 444 erroneously reported payments made from Local 444's general fund account to Local 444's building corporation account in Item 43 Other Receipts.

6. Per Capita

Local 444 erroneously reported only \$800 in Item 47 Per Capita when Local 444's October to December 2018 records show they paid between \$2,000 and \$3,000 in per capita every month to IBEW International.

7. FICA Taxes

Local 444 erroneously reported Local 444's FICA taxes in Item 54 Other Disbursements. FICA taxes should be reported in Item 48 Office and Administrative Expenses.

8. Contributions, Gifts, and Grants

Local 444 erroneously reported donations in Item 54 Other Disbursements because they were entered as "Promotional expenses" in their accountant's software. Between October and December 2018, Local 444 paid over \$3,000 in donations. In 2019, they paid over \$18,000 in donations. Local 444 must report donations paid in Item 51 Contributions, Gifts, and Grants.

Local 444 must file an amended Form LM-3 for the fiscal year ended December 31, 2018 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 February 28, 2020. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Issue

Monthly Payments to Accountant

Local 444 has Accountant [REDACTED] create monthly financial reports of the local's income. Local 444's Business Manager/Financial Secretary Michael Leonard directly pays [REDACTED] \$60 per month and claims the expense on his monthly expense report. OLMS recommends Local 444 pay [REDACTED] directly by check and issue her a Form 1099 at the end of the calendar year.

I want to extend my personal appreciation to Electrical Workers Local Union 444 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,

[REDACTED]

Senior Investigator

cc: Mr. Robert Peterson, Treasurer  
Mr. Shaun Heppel, President