



June 24, 2021

Mr. Mike Watts, President  
United Electrical Workers Local 777  
[REDACTED]

Case Number: 350-6020750 [REDACTED]  
LM Number: 543-923

Dear Mr. Watts:

This office has recently completed an audit of United Electrical Workers Local 777 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 and Financial Secretary Michael Holcomb on May 18, 2021, 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 777's fiscal year end January 31, 2021 records revealed the following recordkeeping violations:

1. Lack of Meeting Minutes

During the audit, you and Financial Secretary Michael Holcomb advised OLMS that union expenses are authorized at the monthly executive board and membership meetings. Section 5b of Local 777's Constitution requires that union expenses be authorized by the executive board. However, no executive board meeting minutes were available for review to verify the union's expenses. In addition, no membership meeting minutes were available for review for nine of the twelve months of the union's fiscal year end of January 31, 2021. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

2. Lack of Salary Authorization

Local 777 did not maintain records to verify officer stipend salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts, specifically for the office of Chief Steward. 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.

3. Meal Expenses

Local 777 records of meal expenses did not include the names and titles of the persons incurring the restaurant charges during union business. For example, meals paid by the union during contract negotiations to IHOP, TGI Friday's, Buffalo Wild Wings, Smokey Bones, and other restaurants totaling \$1,450.26 did not include the names and titles of the attendees. 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.

Based on your assurance that Local 777 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

### Reporting Violations

#### 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 777 amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year.

Local 777 has now filed a copy of its constitution and bylaws.

## Other Issues

### Bank Debit Card

During the audit, Financial Secretary Michael Holcomb advised OLMS that he maintains one bank debit card for point of sale (POS) purchases from the union's general checking account. Both of you stated sometimes the card is given to another officer for use while on union business. Your union's constitution requires checks be co-signed by the president and financial secretary, or the vice president in one of their absence. The two signature requirement is an effective internal control of the union. Its purpose is to attest to the authenticity of a completed document. However, using a bank debit card for POS purchases does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 777 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to United Electrical Workers Local 777 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. Michael Holcomb, Financial Secretary