

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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January 8, 2008

Mr. John Lange, President
Electrical Workers IBEW Local 2285
36963 N. Terry Drive East
Lake Villa, IL 60046

LM File Number: 067-104
Case Number: [REDACTED]

Dear Mr. Lange:

This office has recently completed an audit of Electrical Workers IBEW Local 2285 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 Rene Villarreal, District Representative Terry Roovers, and District Representative Joe Davis on January 3, 2008, 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 2285's 2006 records revealed the following recordkeeping violations:

1. Reimbursed Expenses

Local 2285 did not retain adequate documentation for reimbursed expenses incurred by you and other officers totaling at least \$2,029.42. The audit revealed you and other officers incurred expenses for union-related travel and supplies. However, rather than receive payment for those expenses, you advised that Local 2285 issued payments to the officers for lost wages equal to the approximate amount of the expenses actually incurred. Further, the payments were also incorrectly reported to OLMS as salary and the Internal Revenue Service as taxable income.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and financial secretary (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. Meal Expenses

Local 2285 did not require officers and employees to submit receipts for meal expenses totaling at least \$255.36. Local 2285 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.

In addition to maintaining meal receipts, 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.

3. Lost Wages

Local 2285 did not retain adequate documentation for lost wage reimbursement payments to you, Financial Secretary Villarreal, and Vice President Steve Luckritz, totaling at least \$9,034.64. You advised that union personnel orally report the number of hours lost conducting union business to the treasurer, who records that number on the check stub and calculates the amount to be paid. However, the additional required information noted above was not retained. Local 2285 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. The audit found that Local 2285 did not maintain any supporting documentation with the required information for lost wages.

During the exit interview, I provided a sample of an expense voucher Local 2285 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

Based on your assurance that Local 2285 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 2285 for fiscal year ending December 31, 2006 was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because Local 2285 gave away pencils and various gift cards totaling more than \$500 during the year. Local 2285 must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. Each recipient need not be itemized. 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 were traded in must be reported.

2. Disbursements to Officers

Local 2285 did not include some reimbursements to officers totaling at least \$2,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears these payments were erroneously reported in Item 51 (Contributions, Gifts, and Grants).

As previous mentioned above, Local 2285 incorrectly reported reimbursed expenses totaling at least \$2,029.42 in Item 24, Column D (Gross Salary). For example, you received at least \$2,004.33 in reimbursed expenses but no payments are reported in Column E (Allowances and Other Disbursements). These payments appear to have been erroneously included in the amount reported in Column D.

Local 2285 must report most direct disbursements to officers and some indirect disbursements made on behalf of its officers in Column E of Item 24 (Allowances and Other Disbursements). 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. 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 2285 amended its constitution and bylaws in 1994, but did not file a copy with its LM report for that year. Local 2285 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 2285 file an amended LM report for 2006 to correct the deficient items, but Local 2285 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

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.

The audit revealed that Local 2285's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issues

1. Signing Blank Checks

During the audit, you advised that you, Financial Secretary Rene Villarreal, and/or Treasurer Antony Roemer sign blank checks. 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 2285 review these procedures to improve internal control of union funds.

2. Retirement Gifts and Perfect Attendance Awards

During the audit, Financial Secretary Villarreal advised that when a member retires, he or she receives \$100 and a wallet. Local 2285 also awards \$400 to be split among those members with perfect meeting attendance once a year. Financial Secretary Villarreal stated that he writes a union check to himself, cashes the check, and distributes the cash to the retiree(s) or member(s) with perfect attendance. OLMS recommends that all disbursements be by check directly to the individual receiving the funds in order to ensure internal control over disbursements. As previously noted above, since the payee of these checks is Mr. Villarreal, the gifts and awards are considered direct disbursements for reporting purposes and must be included in the amount reported next to his name in Item 24, Column F

Mr. John Lange
January 8, 2008
Page 6 of 7

(Allowances and Other Disbursements). OLMS recommends that Local 2285 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Electrical Workers IBEW Local 2285 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. Rene Villarreal, Financial Secretary
Mr. Terry Roovers, Sixth District Representative
Mr. Joe Davis, Sixth District Representative