



August 4, 2010

Mr. Timothy Block, President  
Electrical Workers Local 23  
932 Payne Avenue  
St. Paul, MN 55130

Case Number: [REDACTED]  
LM Number: 016281

Dear Mr. Block:

This office has recently completed an audit of Electrical Workers Local 23 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 Business Manager Michael Hoppe and Bookkeeper Linda McLaughlin on July 9, 2010, 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 23's 2009 records revealed the following recordkeeping violations:

## 1. Receipts Records

Local 23 did not record in its receipts records some of the interest earned on certificates of deposit (CDs) totaling at least \$2,000 during the audit period. For example, one of the CDs at NSP Credit Union earned \$194.11 of interest during fiscal year 2009, but it was not recorded on Local 23's books until fiscal year 2010.

Additionally, entries in the receipts journal did not indicate the date in which dues checkoff checks were received. During the audit Ms. McLaughlin advised that she records dues checkoff checks in the receipts journal for the month they are received, but she does not record the date of the receipt. The local's receipts, generally for a two to three week period, are then recorded as one deposit entry in QuickBooks. The money is then deposited into the checking account.

Receipts records must include an adequate identification of all money received. The records should show the date and amount received, and the source of the money. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the Labor Organization Annual Report Form LM-2 (LM-2). The LM-2 instructions for Statement B state that receipts must be recorded when money is actually received, and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received.

## 2. Reimbursed Expenses

Local 23 did not retain adequate documentation for reimbursed expenses incurred by union officers and employees totaling at least \$1,652.23. Mr. Hoppe advised that it's a common practice for officers and employees to pay for travel accommodations such as airfare and lodging on personal credit cards, and Local 23 reimburses them for the expense. Local 23's records showed that in some instances, officers and/or employees did not turn in the vendor receipts for the expenses, but instead they provided a copy of their credit card statement showing the charge.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

As agreed, provided that Local 23 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these 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-2) filed by Local 23 for fiscal year ending July 31, 2009, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 15 (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 23 gave away hats and retirement gifts totaling more than \$1,300 during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

2. Disbursements to Officers and Employees

Local 23 did not include at least \$42,325 in disbursements to officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). Schedule 11 and Schedule 12 were deficient in the following areas:

- a. Names of Officers (Column A): Local 23 did not report the names of some executive board members and the total amounts of payments to them in Schedule 11. All persons who held office during the year must be reported in Schedule 11 regardless of whether they received any payments from the union.
- b. Gross Salary Payments (Column D): Local 23 has agreements with Ever-Green Energy and Xcel Energy, two of its largest employers, to reimburse them for wages paid to union officers and employees who conduct union business. The general ledger showed that Local 23 disbursed to Ever-Green Energy and Xcel Energy at least \$26,000 for lost wages during the audit period. These wages are considered "indirect disbursements" (as described below) to officers and employees for LM reporting purposes and must be included in the amounts reported in Column D (Gross Salary Disbursements) of Schedule 11 and/or Schedule 12 allocated among those officers and employees who received the payments from Ever-Green Energy and Xcel Energy. However, Local 23 did not correctly report payments made on behalf of officers and employees in Schedules 11 and 12. It appears these payments were erroneously reported in Schedule 15 (Representational Activities) or Schedule 19 (Union Administration).

- c. Allowances (Column E): The general ledger showed at least \$2,925 in payments to former Business Manager Joseph Plumbo for his cell phone and car allowance. However, only \$2,600 was reported in Allowances (Column E) in Schedule 11 for Mr. Plumbo. As noted in the LM-2 instructions, the total allowances made by direct and indirect disbursements to each officer must be entered in Column E. It appears the additional \$325 in allowance payments to Mr. Plumbo were erroneously reported in Schedule 15 or Schedule 18.
- d. Disbursements for Official Business (Column F): Local 23 reported no disbursements for official business in Column F (Disbursements for Official Business) of Schedule 11 and Schedule 12. The general ledger and vouchers show that Local 23 paid at least \$16,000 to some officers for reimbursed expenses. Officers and employees were reimbursed for airfare, lodging, and per diem when they traveled to conduct union meetings, arbitrations, and seminars. It appears that these payments were erroneously reported in Schedule 15 or Schedule 19.
- e. Withheld Taxes/Payroll Deductions: Local 23 reported gross dollar amounts instead of net disbursements at the bottom of Schedule 11 and Schedule 12. As noted on page 21 of the LM-2 Instructions, the total amount of withheld taxes, payroll deductions, and all other deductions are to be entered on Line 8 (Less Deductions). The LM-2 filing software will subtract Line 8 from Line 7 (Total Gross Disbursements) and enter the difference on Line 9.

Direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business must be reported in Column F of Schedules 11 and 12 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur must be reported in Column F of Schedules 11 and 12. However, indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11 and 12.

### 3. Failure to Itemize Disbursement

Local 23 did not properly report a “major” transaction in Schedule 18 (General Overhead). A “major” transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. Local 23 paid an aggregate amount of \$5,900 to Xcel Energy during the audit period for utilities, but did not include a Schedule 18 to report the payments.

4. 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 23 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year.

Local 23 must file an amended Form LM-2 for the fiscal year ended July 31, 2009, to correct the deficient items discussed above. I explained to Ms. McLaughlin and Mr. Hoppe the filing procedures and the availability of filing software on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-2 must be electronically filed as soon as possible, but not later than August 31, 2010. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures. Please notify me when the report has been filed.

Other Issue

Signing Blank Checks

During the audit, Ms. McLaughlin advised that you sometimes sign blank checks. Your union's bylaws require that all checks be signed by the president and treasurer. 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 23 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Electrical Workers Local 23 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 Hoppe, Business Manager