



September 30, 2015

Mr. Bill Scally, Treasurer  
International Brotherhood of Electrical Workers AFL-CIO  
System Council U-9  
56436 Strasser Lane  
South Bend, IN 46619

Case Number: 310-6005767( )  
LM Number: 543-746

Dear Mr. Scally:

This office has recently completed an audit of IBEW System Council U-9 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 IBEW Local 1392 Office Manager Thomas Kimble on September 25, 2015, 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 System Council U-9's (SC U-9) 2014 records revealed the following recordkeeping violations:

1. Reimbursed Lodging and Airfare Expenses

SC U-9 did not retain adequate documentation for reimbursed lodging and airfare expenses incurred by delegates to SC U-9 totaling at least \$2,162. For example, \$1,168 was reimbursed to IBEW Local 329 for its payment of airfare expenses incurred by its SC U-9 delegate and Local 738's SC U-9 delegate for travel to an SC U-9 meeting in July 2014.

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. Meal Expenses

SC U-9 did not require officers to submit itemized receipts for meal expenses totaling at least \$1,979. In most instances, the only records retained in support of meal expenses were non-itemized register receipts that listed only the total transaction amount. Itemized receipts provided by restaurants to officers must be retained. 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.

SC U-9 records of meal expenses totaling at least \$2,356 did not include written explanations of the union business conducted or the full names and titles of the persons incurring the restaurant charges. For example, IBEW Local 1392 was reimbursed a total of approximately \$1,820 for two meals at restaurants for which itemized receipts, specific union business conducted, nor participants' names and titles were on file in support of the disbursements. 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. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$785 during 2014. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the specific business purpose of each use of a personal vehicle for business travel by an officer who was reimbursed for mileage expenses.

4. Lost Wages

SC U-9 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$4,663. The union 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 specific union business conducted. The OLMS audit found that although SC U-9 had supporting documentation that gave dates and number of hours claimed, the required information was not given in sufficient detail to fully verify, explain, or clarify the disbursements. For example, reimbursement of \$1,488 was made to IBEW Local 738 for lost time incurred by its SC U-9 delegate, but calculation using numbers given in the narrative description of time lost did not equal the total hours claimed. Specifically, 40 hours of lost time were claimed and reimbursed, but the time lost was described as 12 hours on each of three days, for a total of 36 hours rather than 40 hours.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher SC U-9 may use to satisfy this requirement. The sample identifies the type of information and documentation that the union must maintain for lost wages and other officer expenses.

#### 5. Information Not Recorded in Meeting Minutes

During the audit, you advised OLMS that no meal costs are paid without specific authorization of the SC U-9 delegates, which would appear in meeting minutes. This is in accordance both with the SC U-9 Bylaws, Article VI, Section 2, and SC U-9's expense policy, Article VII, Item 4. The bylaws state that "other special or non-routine expenses [must be] approved by majority vote of the Council," and the expense policy states that "all U-9 expenses and bills not listed above [as 'standing bills'] shall be submitted for approval in accordance with U-9 Bylaws." Meals are not among the expenses listed, in confirmation of your statement that each of these expenditures must be uniquely authorized. However, the audit revealed two group meal reimbursements to IBEW Local 1392 totaling \$1,374 for which authorization was not recorded in minutes. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that SC U-9 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 SC U-9 for the fiscal year ended December 31, 2014 was deficient in the following areas:

#### 1. Officers Not Listed

SC U-9 did not report the names of most of the members of its governing body, which is composed of one delegate from each of its ten affiliated local unions, in Item 24 (All Officers and Disbursements to Officers). The audit revealed that delegates to SC U-9 did not receive any payments from the system council. Nonetheless, 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.

2. Receipt Items

SC U-9 incorrectly reported the \$33,632 in per capita tax payments that it received from its affiliated locals in Item 40 (Fees, Fines, Assessments & Work Permits). The LM-3 instructions require unions to enter the total per capita tax received by your organization if your organization is an intermediate body in Item 39 (Per Capita Tax).

3. Disbursement Items

SC U-9 incorrectly reported disbursements totaling approximately \$28,587 in Item 54 (Other Disbursements). Of this total, \$200, was for rental of meeting space and should be reported in Item 48 (Office and Administrative Expense) in accordance with the LM-3 instructions. The largest portion of the disbursements incorrectly reported in Item 54, \$22,211, was for services rendered by an actuary and a web site administrator. The LM-3 instructions require fees for professional services such as economic research and computer consulting to be reported in Item 49 (Professional Fees). Lastly, donations to the IBEW PAC Fund totaling \$6,176 should have been reported in Item 51 (Contributions, Gifts, and Grants) in accordance with the LM-3 instructions.

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. SC U-9 amended its bylaws in 2011, but did not file a copy with its LM report for that year. SC U-9 has now filed a copy of its bylaws.

I am not requiring that SC U-9 file an amended LM report for 2014 to correct the deficient items, but SC U-9 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you and Mr. Kimble, the audit revealed that SC U-9 has an expense policy, but it could be clearer regarding the circumstances in which particular types of expenses, such as lodging, airfare and lost time, will be reimbursed. Furthermore, the policy and/or a revised version of the union's current expense voucher could be modified to advise claimants of the information and documentation that SC U-9 must maintain in support of the disbursements it makes.

2. One Signature on Check

The SC U-9 Bylaws, at Article V, Sections 2 and 4, require that all checks are signed by the chairman and the treasurer, and you confirmed that this is the union's practice. However, one check, for \$319, was found to have been issued by SC U-9 and cleared its bank with only the chairman's signature. 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. OLMS recommends that SC U-9 review its procedures to improve internal control of union funds.

3. Unclear Correspondence between Dates of Incurred Expenses and Those of Union Activities Recorded in Meeting Minutes

Meeting minutes contained the dates of some but not all of the union's activities, such as wage negotiations and meetings with company representatives. Even when dates of activities were recorded, the dates on which related expenses were incurred did not necessarily match to them, though they generally abutted or encompassed them. OLMS recommends that dates of union activities are accurately recorded in meeting minutes.

I want to extend my personal appreciation to IBEW SC U-9 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. Jeff Bolin, SC U-9 Chairman