



August 17, 2017

Mr. William Davis, President/Business Manager
Electrical Workers IBEW Local 983
3650 West 200 North
Huntington, IN 46750

Case Number: 310-6010428
LM Number: 529242

Dear Mr. Davis:

This office has recently completed an audit of Electrical Workers IBEW Local 983 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 Assistant Business Manager Mike Harmon on August 15, 2017, 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 983's 2016 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 983 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers, totaling at least \$3,700. For example, union officers

received per diem related to attending conferences and conventions, but adequate documentation was not retained. The only records retained were vouchers that did not identify location of travel or the business purpose of each trip and sometimes did not identify the dates of travel. In the case of per diem payments to officers for travel on union business, Local 983 must maintain records which identify the business purpose of each trip, the dates of travel, the destination, and the per diem rate paid. During the exit interview, I provided a compliance tip sheet, *Reimbursed Travel Expense Payments*, which contains a sample of an expense voucher Local 983 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for officer expenses.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. In addition, in the case of these types of travel expenses, the records retained must also identify the location, dates, and union business purpose of the travel that required the expenses be incurred. 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.

2. Meal Expenses

Local 983's records of meal expenses did not always include written explanations of union business conducted or the full names and titles of the persons incurring the restaurant charges, totaling at least \$2,900. Local 983 only retained the credit card statement and credit card receipts for meals. Most meal expenses charged to the union-issued credit card failed to include the union business conducted or the names and/or titles of the persons incurring the restaurant charges. 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.

In addition, Local 983 did not always require officers and employees to submit itemized receipts for meal expenses totaling at least \$500. The union 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.

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 \$800. Officers submitted vouchers that were not adequate because the specific dates of travel, the location traveled to and from, and the business purpose were not always properly identified. Local 983 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 business

purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

4. Lost Wages

Local 983 did not retain adequate documentation for lost wage reimbursement payments to officers, totaling at least \$7,000. Records must be maintained 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 OLMS audit found that Local 983 maintained vouchers that identify the date of the claim, the total hours claimed, and rate of pay, but did not always identify the specific business purpose. For example, some claims did not identify the reason for the lost time, or identified the reason as "lost wages" or "other." Such explanations are not sufficiently descriptive. During the exit interview, I provided the compliance tip, *Union Lost Time Payments*, which identifies the type of information and documentation that the local must maintain.

5. Failure to Record Receipts

Local 983 did not record in its receipts records receipts for candy fundraising sales, picnic fundraising sales, officer reimbursements, and a personal loan made by you to Local 983, totaling at least \$14,000. For example, Local purchased food items to sell in the employer cafeteria as a fund raiser for the annual picnic. You advised that in 2016, Local 983 raised approximately \$5,000 for the picnic. You also advised that those funds were not receipted in the union's record and were not deposited into the union's checking account. As another example, you loaned Local 983 \$8,000 for the IBEW Convention. The receipt date, amount received, and amount of these receipts are not recorded in any union records. Union receipts 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.

6. Failure to Record Disbursements

Local 983 did not record in its disbursement records picnic expenses. As noted above, Local 983 raised approximately \$5,000 for picnic expenses. Local 983 did not deposit the receipts, but retained the cash to disburse to vendors for the picnic. The disbursement date, payee, and amount of these disbursements are not recorded in any union records. No receipts, invoices, or other supporting documentation was retained to substantiate the disbursements for the picnic. Union receipts records must include an adequate identification of all money the union disburses. Labor organizations must also retain original receipts, bills, and vouchers for all disbursements.

Based on your assurance that Local 983 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 983 for the fiscal year ended December 31, 2016, 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 the union gave away bibles and calendars totaling more than \$3,400 during the year. The union 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. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

2. Disbursements to Officers

Local 983 failed to correctly report disbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers) totaling at least \$14,000. For example, the union's check register and vouchers show that you were paid at least \$12,600 in gross salary and lost wages. However, nothing was reported in Column D (Gross Salary). It appears these payments were erroneously reported in Column E (Allowances and Other Disbursements).

Most direct disbursements to Local 983's officers and some indirect disbursements made on behalf of its officers must be reported 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).

3. Statement A (Cash Balance)

Local 983 failed to correctly report its cash balances in Statement A (Assets & Liabilities). It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The checking account and money market bank statements show that Local 983's combined ending balance is \$4,361, but only \$2,363 is reported in Item 25B. The amount of outstanding checks at the end of the year

(\$307.47) does not appear to validate the ending cash figure that was reported in Item 25B. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

4. Statement B (Receipts and Disbursements)

Local 983 misreported its total receipts and total disbursements by at least \$94,000 and \$83,000, respectively. Local 983's bank statements (the only union receipt record) show \$197,540 was received during 2016. However, the amount reported in Item 44 (Total Receipts) is \$103,311. In addition, the disbursement journal, upon reconciliation to the bank statements, show that approximately \$199,602 was disbursed during 2016, but the amount reported in Item 55 (Total Disbursements) is \$116,288. You advised that the union's accountant prepared the LM report, and you were unsure why these amounts were not correctly reported.

5. Other Receipts

You indicated during the audit that Local 983 received over \$14,000 in receipts from candy fundraising sales, picnic fundraising sales, officer reimbursements, and a personal loan (see below), but nothing was reported in Item 43 (Other Receipts). It appears these receipts were erroneously omitted from the report.

6. Loans Payable

Local 983 failed to report an outstanding loan payable in Item 33 (Loans Payable). During 2016, you loaned Local 983 \$8,000 for the IBEW International Convention. The disbursement journal shows that during 2016, you were reimbursed \$5,000 of the loan. The remaining \$3,000 of the loan was outstanding at the end of the fiscal year. However, nothing was listed in Item 33B (Loans Payable at the End of the Reporting Period). It appears this loan was erroneously omitted from the report.

7. 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 983 amended its constitution and bylaws in 2012, but did not file a copy with its LM report for that year. Local 983 has now filed a copy of its constitution and bylaws.

Local 983 must file an amended Form LM-3 for the fiscal year ended December 31, 2016, to correct the deficient items discussed above. I encourage Local 983 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than September 15, 2017, or submitted to this office at the above address by the same

date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Issues

1. Picnic Fundraising and Expenses

As noted above, the audit revealed that during 2016, Local 983 purchased food items to sell in the employer cafeteria as a fund raiser for the annual picnic. You advised the cash raised through the fundraiser was retained and used to pay for the picnic expenses. OLMS recommends that all receipts be deposited and all disbursements be by check in order to ensure internal control over receipts and disbursements. OLMS recommends that Local 983 review its receipt and disbursement procedures to improve internal control of union funds.

2. Taxable Income

The audit revealed that Local 983 may be improperly following state or federal requirements for withholding of various taxes from payments to officers. While Local 983 itself may be exempt from income taxes, payments made by Local 983 to officers and employees are not exempt, except in certain circumstances. The audit revealed that taxes are not being withheld from some officers' salaries and lost wages reimbursements. In addition, Local 983 routinely paid per diem above the Government Services Administration per diem rate, which may make the excess per diem taxable income. OLMS recommends that you contact the Indiana Department of Revenue and the Internal Revenue Service to determine your withholding requirements.

I want to extend my personal appreciation to IBEW Local 983 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]

Investigator

cc: Mr. Mike Harmon, Assistant Business Manager
[REDACTED], Treasurer