



March 22, 2018

Mr. Dave Boetcher, President
Electrical Workers IBEW AFL-CIO
Local 159
4903 Commerce Court
McFarland, WI 53558

Case Number: 320-6012138
LM Number: 019213

Dear Mr. Boetcher:

This office has recently completed an audit of Electrical Workers IBEW AFL-CIO Local 159 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 Business Manager/Financial Secretary Mike Grassy on March 5, 2018, 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 159's 2017 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 159 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by Mr. Grassy, former Vice President/Business Agent Jeff Crocker,

Organizer Patrick "Casey" Healy, and you totaling at least \$997. For example, adequate supporting documentation was not retained for a \$460.60 charge you made at Hyatt Place in Columbus, OH on December 16, 2016 for conference lodging for member Ed Kroth. In support of this expense, Local 159 only retained a credit card statement, which is not sufficient.

Local 159's records of meal expenses did not always include itemized receipts, written explanation of union business conducted, or the names and titles of the persons incurring or receiving the benefit of the restaurant charges. For example, an itemized receipt was not retained for a \$36 meal expense incurred by Mr. Grassy at the 5100 Bar and Grill in McFarland, WI on March 7, 2017. In support of this expense, Local 159 only retained a credit card signature receipt and a credit card statement, which is not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees 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. 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. 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. Reimbursed Auto Expenses

Mr. Grassy received reimbursement for business use of his personal vehicle but did not retain adequate documentation to support payments to him totaling at least \$985 during the audit year. His mileage reimbursements were claimed on expense vouchers that normally identified total mileage expenses, the total miles driven, the dates of travel, the number of miles driven each day, and the union business conducted; however, the expense vouchers were insufficient because they failed to identify the locations traveled to and from. 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 business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Lost Wages/Instructor Wages

Local 159 did not retain adequate documentation for lost wage reimbursement payments it made to members [REDACTED] and [REDACTED] totaling at least \$2,920 during the year and instructor wage payments it made to [REDACTED] and [REDACTED] on behalf of the Madison Area Electrical Joint Apprenticeship and Training Trust (MJATT) totaling at least \$3,212 during the year. The union must maintain records in support of lost wage and instructor wage claims that identify each date lost or instructor wages were incurred, the

number of hours lost or instructed on each date, the applicable rate of pay, and a description of the union or MJATT business conducted. The audit found that the union retained vouchers for lost wage reimbursements and MJATT instructor wage payments, but in some instances the vouchers were not sufficient because [REDACTED] and [REDACTED] did not always adequately identify each date lost or instructor wages were incurred or the number of hours lost or instructed on each date.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments* that contained a sample of an expense voucher Local 159 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.

4. Failure to Maintain Receipt Records and Receipt Dates Not Recorded

The audit revealed that Local 159 did not start retaining the duplicate receipts generated by its computerized receipts program, Labor Power Express (LPX), until December 2016 and that at least two duplicate receipts from January 2017 were not retained. In addition, entries in Local 159's QuickBooks general ledger reflect the date the union deposited money, but not the date money was received for a refund from Conney Safety, a reimbursement received from the Wisconsin Electrical Employees Benefit Fund, and reimbursements received from affiliated organizations totaling at least \$13,538. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The LM-2 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

As previously noted, 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.

5. Failure to Retain Voided Checks

The audit revealed that Local 159 failed to retain two voided checks during fiscal year ended June 30, 2017. During the exit interview, you and Mr. Grassy advised that you don't know why these two voided checks weren't retained. You further advised that all voided checks are supposed to be kept in Local 159's monthly disbursements files. As a general rule, all types of records created or used in the normal course of doing union business must be maintained by the union for five years.

6. Vacation/Sick Time Payments

The audit revealed that Local 159 did not retain adequate documentation for payments totaling \$7,555.96 it made to former Business Manager/Financial Secretary Robert Doyle, Mr. Crocker, and Mr. Healy on July 15, 2016 for vacation/sick time they accrued during the previous fiscal year. The union failed to maintain records accounting for the vacation/sick time accrued and used by these individuals in the previous fiscal year. The union must maintain records of vacation/sick time earned and used by each employee. These records are necessary to ensure the use of vacation/sick time is not abused and is properly accounted for. During the audit, Mr. Grassy stated that he has been tracking vacation/sick time for himself and Local 159's business agents and organizer on an Excel spreadsheet since he became business manager.

Based on your assurance that Local 159 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-2) filed by Local 159 for the fiscal year ended (FYE) June 30, 2017, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 159 did not include indirect disbursements to you and Mr. Grassy totaling at least \$726 in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers), Column F (Disbursements for Official Business). Local 159's disbursements records indicate that you and Mr. Grassy received direct and indirect disbursements for reimbursement of expenses totaling \$10,700; however, the total amount reported in Column F of Schedule 11 for you and Mr. Grassy was \$9,974. It appears that the union erroneously reported several meal expenses that you and Mr. Grassy charged to union issued credit cards in Schedules 15 through 19.

In addition, Local 159 erroneously reported Vice President/Business Agent Jeff Crocker and the total amount of payments to him or on his behalf in Schedule 12 (Disbursements to Employees), rather than in Schedule 11. If an officer also holds a dual position as an employee, the full amount paid to that officer must be reported in Schedule 11.

The union must report in Column F of Schedules 11 and 12 direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 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. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

2. 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 159 gave away gift cards, watches, pins, tee-shirts, and various other items to active and retired members during the audit 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." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

3. Failure to Itemize Disbursements

Local 159 did not properly report several "major" transactions in Schedules 16 (Political Activities and Lobbying) and 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 that the union cannot properly report elsewhere in Statement B. For example, a \$5,000 disbursement to the Greater Wisconsin Committee was not properly reported in Schedule 16. As another example, three disbursements to Silkworm Inc. for promotional items totaling \$7,151.70 were not properly reported in Schedule 18.

I am not requiring that Local 159 file an amended LM report for 2017 to correct the deficient items, but Local 159 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Payouts for Accrued Vacation/Sick Time

During the audit year, Local 159 made payments totaling \$38,408.19 to Mr. Doyle, Mr. Crocker, Mr. Healy, and former Office Manager Sue Blue for their accrued vacation/sick time.

As mentioned above, on July 15, 2016, Local 159 made payments to Mr. Doyle, Mr. Crocker, and Mr. Healy totaling \$7,555.96 for vacation days that these individuals earned but did not use during the FYE June 30, 2016. While Local 159's *Office Staff Policy* states that there is no annual carry-over of vacation days for the business manager and business agents, it doesn't have any language regarding the payout of accrued vacation time. Local

159's records indicate that these payments were initially authorized by Mr. Doyle before he left office and subsequently authorized by you, former Treasurer Greg Storkson, and Recording Secretary Randall Schulz.

On July 22, 2016, Local 159 paid Ms. Blue \$22,673.10 for the sick/vacation time that she had accrued up to that point. In addition, she was also paid \$8,179.13 on March 31, 2017 for the sick/vacation time she had accrued at the time she left her job at Local 159. A review of Ms. Blue's employment agreement with Local 159 showed that she was authorized accrued vacation/sick hours to be paid to her in the event of layoff, quitting, or discharge and to her designated beneficiary in the event of her death; however, the agreement contained no provision for the payout of accumulated sick/vacation time to Ms. Blue while she was still actively employed by Local 159 in July 2016.

OLMS recommends that Local 159 update its *Office Staff Policy* and employment agreements to reflect its current practices in regards to the payment of accrued sick/vacation time to help ensure effective internal controls and safeguard union assets.

2. Overpayments Of Reimbursed Expenses and Lost Wages

The audit revealed that Mr. Grassy was reimbursed \$675.20 on October 28, 2016 and again on December 9, 2016 for airfare that he purchased to attend a Membership Development Conference that took place in Las Vegas, NV during November 2016. A review of Local 159's records revealed that this airfare was included on an expense form that you submitted on October 24, 2016 and on another expense form that he submitted on December 2, 2016. Both expense forms were completed by Local 159's bookkeeper, Amru Kuricheti, and signed by Mr. Grassy. When asked about this duplicate reimbursement, Mr. Grassy stated that he normally fill-out his expense forms and that he doesn't remember why Ms. Kuricheti completed two expense forms for him that included this airfare or why he signed both forms. Mr. Grassy further indicated that he believed this to be an honest mistake on both his part and issued a personal check for \$675.20 to Local 159 on November 9, 2017. When asked about this expense, Ms. Kuricheti stated that she does not remember why she filled-out the expense forms for you or why she completed two expense forms for the same airfare expense.

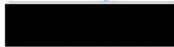
Additionally, the audit revealed that Mr. Grassy was overpaid \$20.52 for mileage that he incurred between October 6, 2016 and October 7, 2016 and \$25.15 for mileage that he incurred between March 16, 2017 and May 24, 2017. At the exit interview, you and Mr. Grassy stated that the two of you would review his mileage claims and he agreed to reimburse Local 159 if he was overpaid.

Furthermore, a comparison of the lost wage claims submitted by Mr. Crabb and members Brian Russ and Gerald Noel during the audit year with payroll records received from their employers revealed that Mr. Crabb, Mr. Russ, and Mr. Noel were overpaid a net total of \$96.80, \$48.03, and \$49.20, respectively, during the audit year. At the exit interview, you advised that you will review the lost time claims submitted by Mr. Crabb, Mr. Russ, and

Mr. Noel and then determine the appropriate actions to take. OLMS recommends a careful review of expense forms and lost wage claims as this can help ensure adequate internal controls and safeguard union assets.

I want to extend my personal appreciation to Electrical Workers Local 159 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,

A large black rectangular redaction box covering the signature of the investigator.A smaller black rectangular redaction box covering the name of the investigator.

Investigator

cc: Mr. Mike Grassy, Business Manager/Financial Secretary