



January 17, 2019

Jason McGrath, Secretary-Treasurer
Electrical Workers (UE) Local 274
80 School Street
Suite 2
Greenfield, MA 01301

Case Number: 110-6014224 [REDACTED]
LM Number: 034072

Dear Mr. McGrath:

This office has recently completed an audit of Electrical Workers (UE) Local 274 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 President Shawn Coates on January 18, 2019, 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 274's 2018 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 274 did not retain adequate documentation for reimbursed expenses incurred by President Shawn Coates and Secretary-Treasurer Jason McGrath, totaling at least \$3,105.25. For example, on April 25, 2018, the union issued a \$179.15 check to Jason McGrath with the memo "expense reimbursement," but the union records make no mention of what these expenses included, and contain no receipts or other documents reflecting the amount paid.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and secretary-treasurer of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Lost Wages

Local 274 did not retain adequate documentation for lost wage reimbursement payments to union officers in at least eight instances. 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 union business conducted. The OLMS audit found that Local 274, retained a voucher containing this information for many, but not all, of its lost-time disbursements.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 274 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.

3. Lack of Salary Authorization

Local 274 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 report was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local 274 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 274 for the fiscal year ended June 30, 2018, was deficient in the following areas:

1. Failure to Report All Receipts and Disbursements / Cash Reconciliation

The cash figures reported in Item 25 (Cash) do not appear to be the figures according to Local 274's books after reconciliation to the bank statements. 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. Further, the union's reported cash does not reconcile. The cash at the start of the reporting period (Item 25A) plus the Total Receipts (Item 44) minus the Total Disbursements (Item 55) should equal the cash at the end of the reporting period (Item 25B).

2. Disbursements to Officers (LM-3)

Local 274 did not report the total amounts of payments to some officers in Item 24 (All Officers and Disbursements to Officers). The union's records reveal at least \$7,407.46 in salary and expense disbursements to Secretary-Treasurer Jason McGrath during fiscal year 2018, while the LM-3 report discloses disbursements of just \$2,893. Similarly, the union records reveal \$841.96 in salary and expense disbursements to President Shawn Coates, while the LM-3 report discloses no disbursements at all.

The union must report most direct disbursements to Local 274 officers and some indirect disbursements made on behalf of its officers 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. Certificates of Deposit Reported As Investments

Local 274 improperly included the value of certificates of deposit as investments in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit to be cash. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements.

4. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires every union to submit a copy of its constitution and bylaws to OLMS within ninety days after qualifying as a "labor organization" within the meaning of that statute. The secretary-treasurer of Local 274 indicated to OLMS that the union conducts itself pursuant to a uniform constitution and bylaws promulgated by its parent national organization, but Article 21, section A, of that organization's constitution expressly provides that "the affiliated local unions shall adopt their own constitutions and by-laws provided that these do not conflict with the constitution and by-laws of the United Electrical, Radio and Machine Workers of America (UE)."

As agreed, Local 274 will adopt a constitution and bylaws and file a copy of that document with OLMS as soon as possible, but not later than April 14, 2019.

Local 274 must file an amended Form LM-3 for the fiscal year ended June 30, 2018, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form

LM-3 must be filed no later than February 14, 2019. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Issues

1. External Audit

Article 18, section J, of the UE Constitution requires every local union to have its books audited at least every three months. Secretary-Treasurer Jason McGrath has indicated that Local 274 does not always have its books audited in accordance with this requirement. OLMS recommends that Local 274 remain in compliance with this requirement.

2. Fixed-Asset Inventory

The audit revealed that Local 274 does not maintain a fixed-asset inventory. A fixed-asset inventory should be maintained to identify each asset, the value of each asset, and to document the purchase, sale, or distribution of each asset. OLMS recommends that unions establish and maintain a fixed-asset inventory to adequately account for all property that is purchased, sold, or given away.

I want to extend my personal appreciation to Local 274 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: Shawn Coates, President