



March 11, 2019

Mr. Kevin A. Muir, Treasurer  
Electrical Workers, IBEW  
Local 459  
408-412 Broad Street  
Johnstown, PA 15906-2717

Case Number: 140-6014823 [REDACTED]  
LM Number: 038-625

Dear Mr. Muir:

This office has recently completed an audit of Electrical Workers, IBEW, Local 459 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 on February 26, 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 Violation

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 459's 2018 records revealed the following recordkeeping violation:

Disposition of Property

Local 459 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28. The union must record in at least one record the date and amount received from each sale of union hats, jackets, and other items.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

Based on your assurance that Local 459 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

#### Reporting Violation

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. Although the union has not yet filed their Labor Organization Annual Report (Form LM-2) for the current year, LM-2 Report filed by Local 459 for the fiscal year ended December 31, 2017 was deficient in the following area:

#### Acquire/Dispose of Property

Item 15 [LM-2] (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 t-shirts totaling more than \$1,300 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." Also, the union must report the cost, book value, and trade-in allowance for assets that it traded in. In addition, the union must report the value of any supplies on hand at the beginning and end of the year in Item 28 and Schedule 7 (Assets).

I am not requiring that Local 459 file an amended LM-2 report for 2017 to correct the deficient items, but Local 459 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issue

### Use of Signature Stamp

During the audit, Treasurer Muir reported that it is the practice of Local 459 to occasionally allow the union's support staff to stamp the signature of the acting president on union checks. Prior to stamping the acting president's signature, the acting president remotely reviews the check and supporting documentation. This occurs when the acting president is not available to place his signature on the checks. Treasurer Muir reports he signs all checks. 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, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 459 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Local 459 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. Paul Cameron, Business Manager