

**U.S. Department of Labor**

Office of Labor-Management Standards  
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September 25, 2009

Mr. Carl Rosen, President  
Electrical Workers UE IND  
Western Regional Council  
37 S. Ashland Blvd.  
Chicago, IL 60607

LM File Number: 007-115

Case Number: [REDACTED]

Dear Mr. Rosen:

This office has recently completed an audit of Electrical Workers UE IND Western Regional Council 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 Office Manager Shirley Houston on September 1, 2009, 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 the Electrical Workers UE IND Western Regional Council's (the WRC) 2008 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

The WRC did not retain adequate documentation for reimbursed expenses incurred by Electrical Workers UE IND (UE) Local 1421's regional council meeting attendees totaling at least \$808.16. 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. Lack of Authorization for Benefits and Payment of Service Fees

The WRC did not maintain records to verify that the dental insurance disbursements reported in Schedule 20 (Benefits) of the LM-2 were in the authorized amount and therefore correctly reported. The union must keep a record, such as meeting minutes, to show the current salary and benefits authorized by the entity or individual in the union with the authority to establish them. In particular, the audit revealed that while the "UE Western Region Financial Practices" authorize individual dental insurance for the WRC's office manager, the union was also purchasing coverage for a dependent at \$2.50 more per month than the cost of individual insurance coverage.

Authorization for payment to the office manager of service fees collected as part of the WRC-administered health insurance program was likewise not documented.

3. Failure to Record Receipts

The WRC did not record in all of its receipts records some of the money received in connection with hall rentals, namely, security deposits and fees passed on to a third party for event security and custodial services. The total of deposits not recorded in all receipts records was at least \$900.00 and that of fees at least \$600.00. Union receipts records must adequately identify all money the union receives, whether or not it is deposited to a bank account. Similarly, the WRC's refunds of security deposits and transmittals of fees must be recorded in all disbursements records.

4. Receipt Dates not Recorded

Entries in the WRC's deposits log and general fund deposits report reflect the dates the union deposited money, but the WRC does not maintain a cash receipts journal or other record of the dates money was received. 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.

5. Failure to Keep Receipts Records

The WRC did not have leases or other documentation of its rental agreements with UE-affiliated tenants that pay between \$225.00 and \$600.00 per month. The WRC also did not have rental agreements or other documentation of the use of its halls by parties not charged a rental fee. One document on which such information was recorded, a wall calendar with events noted by date, was not retained by the WRC after the year ended.

As a further example of receipts documentation not kept, the WRC deposited a total of \$108.62 in telephone reimbursements from three individuals in May 2007 but failed to retain documentation, such as the entire telephone bill rather than just the first page, of the amounts owed by the three individuals.

6. Accounts Receivable and Liabilities Not Recorded

The WRC did not record its accounts receivable and liabilities, particularly as related to rent owed and paid by office tenants. For example, because American Federation of State, County and Municipal Employees (AFSCME) Local 2858 owed back rent as the WRC's fiscal year progressed, reaching a maximum of \$3,839.00. Then, in the last month of the fiscal year, Local 2858 not only caught up but paid ahead by \$477.00. Tenants' underpayments and overpayments of rent should be recorded in union books as accounts receivable and liabilities.

The same recordkeeping requirements would also apply to premiums and service fees that health insurance program participants pay late and early.

Based on your assurance that the WRC 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 the WRC for fiscal year ending February 29, 2008, was deficient in the following areas:

1. Disbursements to Officers and Employees

The WRC did not report the names of some officers and the total amounts of payments to them or on their behalf in Schedule 11 (All Officers and Disbursements to Officers). The

union must report in Schedule 11 all persons who held office during the year, regardless of whether or not they received any payments from it.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. 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 Schedule 11 for a discussion of certain direct disbursements to officers that do not have to be reported in Schedule 11.

In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party for business expenses union personnel incurred. 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, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incurred 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.

As an example, if any part of the WRC's \$917.60 payment to UE Local 893 in October 2007 was for expenses incurred by WRC Vice President Rebecca Dawes, then that portion should have been reported at her name in Schedule 11.

## 2. Receipts and Disbursements of the Health Insurance Program

The WRC improperly reported premiums paid by individual participants of the health insurance program it administers by including them in Item 48 and Schedule 14 (Other Receipts). These premiums from individuals are most appropriately reported in Item 47 (From Members for Disbursement on Their Behalf). And, when the WRC forwards these same premiums to the insurance provider, the disbursements are most appropriately reported in Item 64 (On Behalf of Individual Members). Any such premiums received but not forwarded as of the end of the fiscal year should be reported in Item 33 and Schedule 10 (Other Liabilities).

## 3. Cash Receipts and Disbursements

It appears that certain of the cash receipts and disbursements figures making up Item 49 (Total Receipts) and Item 68 (Total Disbursements) are not the correct figures according to the union's books. Per the instructions for Statement B (Receipts and Disbursements), its purpose is to report the flow of cash in and out of the labor organization during the reporting period. To illustrate, the total receipts figure reported on the WRC's 2008 LM-2 included two types of transactions that should have been excluded since they were actually drawn on and deposited

to the same checking account: (1) \$3,000.00 for rent transferred from the general fund account to the building fund account and (2) \$2,700.00 for rent transferred from the pension fund account to the building fund account. And, the total receipts figure excluded two types of transactions that should have been included since they represented the actual flow of cash into the WRC: (1) \$2,590.00 in office fees paid by the UE and (2) \$3,045.00 in hall rental income from organizations.

#### 4. Failure to Report Receipts

The WRC did not report certain receipts related to hall rentals. In particular, security deposits of at least \$900.00 and custodial fees of at least \$600.00, neither of which were deposited to the WRC's bank account before leaving the WRC's control, were not included in Statement B (Receipts and Disbursements).

#### 5. Accounts Receivable and Other Liabilities

Item 23 (Accounts Receivable) and Schedule 1 (Accounts Receivable Aging Schedule) were incorrectly left blank. The rents from tenants that were past due at the beginning and end of the fiscal year, whether because the tenant made no payment or paid less than was owed, must be reported as accounts receivable. Similarly, rents that tenants pay before they are due must be reported in Item 33 and Schedule 10 (Other Liabilities). AFSCME Local 2858, for example, was behind in rent by \$908.00 as of March 1, 2007 and ahead by \$477.00 as of February 29, 2008.

The same reporting requirements would also apply to premiums and service fees that health insurance program participants pay late and early.

I am not requiring that the WRC file an amended LM report for 2008 to correct the deficient items, but the WRC has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issues

#### 1. Duplicate Receipts

The WRC receives money directly from individuals for many purposes, including use of the photocopy machine, delegate fees for regional council meetings, and rental fees and security deposits for use of the WRC's halls. In general, the office manager records these payments in the union's deposits log, but she and the others accepting money do not always issue receipts to the payers.

For example, the WRC recorded in its deposits log the March 2007 deposit of \$140.00 in individually-paid delegate fees. The WRC noted in the log that \$40.00 came from a UE Local

886 member and \$20.00 from a UE Local 1004 member, but the WRC did not record the payments in the delegate fees receipts book. Conversely, the WRC issued receipts for a UE Local 1103 member's payment of \$40.00 and a UE Local 151 member's payment of \$20.00 but did not identify these locals' members in the deposits log as having contributed to the total individual delegate fees deposited. Only the final \$20.00, paid by a UE Local 1166 member, was recorded in both the deposits log and the receipts book.

OLMS recommends that the WRC use a duplicate receipt system where the union issues original pre-numbered receipts to all individuals who make payments directly to the union, whether by cash, check or money order, and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income that is not otherwise easily verifiable. For greatest benefit from such a system, OLMS recommends its consistent use. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

## 2. Lack of Consistency among Receipts Records

The WRC's records of per capita tax payments from locals were inconsistent and/or inaccurate with respect to the number of checks received from locals paying for multiple months at the same time. One instance in which this occurred was with the \$479.80 UE Local 1021 paid for three months' per capita, which the WRC deposited in June 2007. According to the per capita tax forms sent by the local, payment was made by three separate checks. While one or more WRC records reflected payment by three checks, the deposit ticket indicated that the \$479.80 consisted of a single deposit item.

## 3. Practice Not Consistent with Bylaws

Article VII, Section 3 of the WRC's bylaws mandate deposit of receipts within five business days of receipt. The WRC, however, did not always comply with this provision during fiscal year 2008, especially in its handling of security deposits for hall rentals, which were either deposited more than five days after receipt or never deposited. In addition, records showed that the WRC deposited a \$70.00 rental fee eleven days after accepting it.

## 4. Double Reimbursement

The audit revealed that the WRC twice reimbursed UE Local 1004 \$300.00 for the same attendees' airfare to the September 2007 regional council meeting. OLMS recommends the union institute the use of procedures and documents that would prevent such oversights in the future, whether in reimbursements to UE locals or to other entities.

5. Lack of Documentation of Financial Arrangements

During the audit, the WRC explained its practice of making multiple disbursements on behalf of the UE Local 1139 Pension Plan through the course of a month, and in return, the Pension Plan reimbursing the WRC with a single check at the end of the month. OLMS recommends that the WRC formally document its financial arrangements with the Pension Plan.

I want to extend my personal appreciation to Electrical Workers UE IND Western Regional Council 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. Thomas Michalski, Treasurer