



September 17, 2015

Mr. Thomas McTavish, Business Manager
IBEW Local 117
765 Munshaw Lane
Crystal Lake, IL 60014

Case Number: 310-6002960()
LM Number: 047-008

Dear Mr. McTavish:

This office has recently completed an audit of IBEW Local 117 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 Mr. Hugh Arnold and you on August 31, 2015, 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 117's 2013 records revealed the following recordkeeping violations:

1. Duplicate Receipts and Receipts Journal

Entries in Local 117's receipts journal reflected the date the union deposited money, but not the date money was received as printed on the duplicate receipts. Failure to record in the receipts journal the date money was received resulted in the union reporting some receipts in 2013 even though it actually received them in 2012.

In addition, Local 117 informed OLMS that over one-half of the membership elects to disburse their yearly dues payments to the local from their Vacation Fund which is administered by one of the Local's benefit funds. The Vacation Fund disbursed those dues payments to the union in February 2013. However, many of the duplicate dues receipts for those payments were printed in December 2012.

Union receipts records must show the actual 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.

2. Vacation Time

The local does not maintain a centralized record of vacation time earned and used by the full-time employees and officers. The president and treasurer, or corresponding principal officers, must ensure that the union maintains adequate records to verify the number of vacation hours accrued and used each year. Vacation records must indicate the date on which vacation time is used and the number of hours used.

Based on your assurance that Local 117 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 117 for the fiscal year ended December 31, 2013, was deficient in the following areas:

1. Subsidiary Organization

Item 11(b) (Did the labor organization have a subsidiary organization as defined in Section X of the Instructions?) should have been answered, "Yes," because the union has a wholly-owned building association which holds title to the local's building in Crystal Lake, IL. Provide in Item 69 (Additional Information) the name, address, and purpose of the

subsidiary organization and indicate whether the information concerning its financial condition and operations is included in the Form LM-2 or in a separate report.

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 the union gave away Jewel and Home Depot gift cards totaling at least \$700.00 and traded in a 2008 Chevy Trailblazer during the year. The union must identify the type and value of any property received or given away in Item 69 (Additional information) 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 are traded in.

3. Rates of Regular Dues

Item 21(a) (Rates of Regular Dues/Fees) was reported as \$2.20 per month (the local's share of monthly dues), but the audit revealed that the actual dues rate was \$32.20 per month. Although the local only retains \$2.20 as its share of the regular dues from members, the local must also report the \$30.00 portion that it later transmits to the International Union.

4. Inventory of Supplies for Resale

Local 117 did not report the inventory of its supplies (t-shirts, hats, coats) held in the union office for resale. The LM-2 instructions require that the union report the book value of any supplies for resale on hand at the beginning and end of the year in Item 28 and Schedule 7 (Other Assets).

5. Dues and Agency Fees

Local 117 failed to report all dues from its members in Item 36 (Dues and Agency Fees). The local erroneously reported \$151,427 of the dues in Item 37 (Receipt of Per Capita Tax) that it sends to the International Union. The LM-2 instructions require the total dues received by the labor organization, such as regular and working dues, including any portion that will be later transmitted to the International Union, to be reported in Item 36.

6. Receipt Dates for Dues

Local 117 erroneously reported cash dues in Item 36 (Dues and Agency Fees) that were received from members in the prior fiscal year (FYE 12/31/2012). The local reported the dues as received on the date the union deposited the money, as opposed to the date money was actually received as printed on the duplicate receipts. It appears that the union may have also erroneously reported cash dues on the LM-2 report for fiscal year ending

December 31, 2014 that were actually received from members in 2013. The LM-2 instructions require all dues to be recorded when it is actually received by the labor organization rather than the dates that it is deposited into the union's bank account.

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 117 amended its constitution and bylaws in 1994, but did not file a copy with its LM report for that year.

Local 117 has now filed a copy of its constitution and bylaws.

Local 117 must file an amended Form LM-2 for the fiscal year ended December 31, 2013, to correct the deficient items discussed above. In addition, as Local 117 has already filed its Form LM-2 for fiscal year ended December 31, 2014 which contains the deficient items, the local must file an amended Form LM-2 for 2014 as well. The reports must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Forms LM-2 must be filed no later than October 5, 2015. Before filing, review the reports thoroughly to be sure they are complete and accurate.

Other Issues

1. Signing Blank Checks

During the audit, you advised that Treasurer Raymond Pieroni and President Patrick Nohl sign blank checks. Article XV, Section 1(g) of IBEW's International Constitution require that all checks be counter-signed by the president and treasurer. 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 117 review these procedures to improve internal control of union funds.

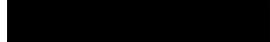
2. Duplicate Receipts for Sale of Supplies

Local 117 records the sale of supplies in the union's receipts journal but does not issue receipts to the purchasers. OLMS recommends that Local 117 use a duplicate receipt system where the union issues original pre-numbered receipts to all individuals who purchase supplies 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 which is not otherwise easily verifiable.

I want to extend my personal appreciation to IBEW Local 117 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. Patrick Nohl, President