

U.S. Department of Labor

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March 1, 2010

Ms. Gail Dreisel, President
Electrical Workers, AFL-CIO
Local 1386
P.O. Box 1008
Newburyport, MA 01950-6008

LM File Number 047-853
Case Number: [REDACTED]

Dear Ms. Dreisel:

This office has recently completed an audit of Electrical Workers Local 1386 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 Treasurer Lloyd Estabrook on February 12, 2010, 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. The CAP disclosed the following issues:

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 1386's 2008 records revealed the following recordkeeping violation:

1. General and Reimbursed Expenses

Local 1386 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$478, and for general disbursements totaling at least \$320. For example, officers failed to maintain adequate documentation for supplies, stewards' books, and airfare.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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. Meal Expenses

Local 1386 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$102. The union must maintain itemized receipts provided by restaurants to officers and employees. 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.

Local 1386 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, itemized receipts must be kept for officer meals while on travel or for union business. Union 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.

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Based on your assurance that Local 1386 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 1386 for fiscal year ending December 31, 2008 was deficient in the following areas:

1. Disbursements to Officers

Local 1386 did not include some reimbursements to officers totaling at least \$1,677 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 1386 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).

Additionally, Local 1386 did not report the names of some officers, such as the past vice president and executive board members, in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

2. Reporting of Receipts

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Local 1386 failed to properly report cash receipts on its 2008 Form LM-3:

- Local 1386 erroneously reported receiving \$13,307 in per capita tax. As Local 1386 does not receive per capita tax from any unions or affiliates, Item 39 (Per Capita Tax) should be reported as \$0.
- The union received \$12,158 in receipts for its Short Term Disability Fund. This income should be reported in Item 43 (Other Receipts).

I am not requiring that Local 1386 file an amended LM report for 2008 to correct the deficient items, but Local 1386 has agreed to properly report the deficient items on all future reports it files with OLMS, with particular attention paid to the 2009 Form LM-3.

Other Issues

1. Signing Blank Checks

During the audit, you advised that the officers pre-sign checks for the short-term disability fund. Your union requires that all checks be 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.

Local 1386 has followed OLMS' recommendation to no longer pre-sign union checks.

I want to extend my personal appreciation to Electrical Workers Local 1386 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

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cc: Lloyd Estabrook, Treasurer