

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Washington District Office
800 North Capitol Street NW
Room 120
Washington, DC 20002-4244
(202)513-7300 Fax: (202)513-7301



August 28,2008

Mr. Eric Stewart, President
International Brotherhood of Electrical Workers
Local 1737
P.O. Box 4013
Manassas, VA 20108-0701

LM File Number 031-606
Case Number: [REDACTED]

Dear Mr. Stewart:

This office has recently completed an audit of IBEW Local 1737 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 Leslie Perry on August 7, 2008, 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 1737's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 1737 did not retain adequate documentation for reimbursed expenses incurred by union officers. For example, Local 1737 reimbursed an officer for a plane ticket to attend a convention but did not maintain any receipt or other record for this purchase.

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 1737 did not always require officers to submit itemized receipts for meal expenses. The union must maintain itemized receipts provided by restaurants to officers. 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 1737 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. 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.

3. Lost Wages

Local 1737 did not retain adequate documentation for a lost wage reimbursement payment. 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.

During the exit interview, I provided a sample of an expense voucher Local 1737 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.

4. Failure to Record Receipts

Local 1737 did not record initiation fees in its receipts records. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received and the source of the money.

5. Information not Recorded in Meeting Minutes

During the audit, the local advised OLMS that the membership and executive board authorized some expenditures during their meetings. In some cases, the union failed to maintain minutes of these meetings. In other cases, the union maintained meeting minutes, but those minutes did not make any reference to the expenses authorized at those meetings. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

6. Failure to Maintain Records

Local 1737 failed to maintain dues check-off check stubs, cancelled checks, check stubs, bank deposit slips, and invoices for the purchase of flowers. All union receipt and disbursement records must be maintained.

Based on your assurance that Local 1737 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 violations 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 1737 for fiscal year ending December 31, 2006 was deficient in the following areas:

1. Disbursements to Officers

Local 1737 did not report all salaries and reimbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense) and Item 51 (Contribution, Gifts, and Grants).

The union must report most direct disbursements to Local 1737 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).

2. Receipts and Disbursements on Behalf of Members

The audit revealed that Local 1737 received funds on behalf of some members to pay their insurance premiums. The money collected for the insurance premiums was incorrectly reported in Item 38 (Dues). In addition, the money paid to the insurance company on behalf of these members does not appear to be reported anywhere on the LM-3. The union should report all funds received on behalf of members for insurance premiums in Item 43 (Other Receipts) and all funds disbursed on behalf of members for insurance premiums in Item 54 (Other Disbursements).

3. Total Disbursements Incorrectly Reported

The total disbursements listed in Items 45 through 54 does not equal the amount listed in Item 55 (Total Disbursements). There is a difference of \$30,000 between these figures. Local 1737 must report all cash disbursements in Items 45 through 54 of Statement B. The total of the figures in these items should equal the amount listed in Item 55.

4. 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. The audit revealed that a copy of Local 1737's bylaws were not on file with OLMS. Local 1737 has now filed a copy of its bylaws.

Local 1737 must file an amended Form LM-3 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but, due to the extenuating circumstances in your case, not later than September 30, 2008, as agreed. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that Local 1737's officers were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage after the audit period and provided evidence of this to OLMS

during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issue

Signatures on Checks

Local 1737 officers advised that the local's policy requires two signatures on each check. However, the audit revealed that some checks were negotiated with only one signature. The two signatures requirement is an effective internal control of union funds. OLMS recommends that Local 1737 follow its policy to improve the internal control of union funds.

I want to extend my personal appreciation to IBEW Local 1737 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: Leslie Perry, Treasurer