

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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May 28,2008

Mr. Wayne Geist, President
Electrical Workers Local 14
9480 U.S. Highway 53
Fall Creek, WI 54742-9728

LM File Number: 530-818
Case Number: [REDACTED]

Dear Mr. Geist:

This office has recently completed an audit of Electrical Workers Local 14 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 Business Manager Dean Licht, Secretary Judy Smith, and Accountant Ryan Olson on April 25,2008, 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.

1. Union Owned/Leased Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedule 12 (Disbursements to Employees) of the LM-2.

As an example, Local 14 incurred expenses totaling at least \$1,714 for the automobile driven by Bill Beeler during 2007. However, Local 14 did not maintain records documenting business versus personal use of that vehicle.

The LM-2 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 and 12 of the LM-2, allocated to the officer or employee to whom each vehicle is assigned.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

2. Lack of Salary Authorization

Local 14 did not maintain records to verify that the salary for Assistant Business Agent Thomas Bowe reported in Schedule 12 (Disbursements to Employees) of the LM-2 (approximately \$5,000) was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

In the case of Local 14, Mr. Licht advised that salaries for business agents are set by the Business Manager.

Based on your assurance that Local 14 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 (LM-2) filed by Local 14 for fiscal year ending June 30, 2007, was deficient in the following areas:

1. Item 15 - Disposition of Assets

Item 15 (Disposition of Assets) should have been answered, "Yes," because Local 14 gave away cash and prizes totaling at least \$1,000. The type and value of any property received or given away must be reported 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. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

2. Cash Accounts Reported As Other Assets

Local 14 improperly included \$228,775 on deposit in its industry advancement fund, LMCC fund, vacation fund, and scholarship fund in the amount reported in Item 28 (Other Assets). As stated on page 22 of the LM-2 Instructions, funds on deposit in checking accounts, savings accounts, and certificates of deposit are considered cash for LM reporting purposes.

The checking account balances reported should be obtained from the books as reconciled with the balances shown on the bank statement.

3. Cash

Local 14 failed to properly report cash when completing its LM-2. The audit revealed that Local 14 included of at least \$10,000 of accrued interest earned on certificates of deposit that had not yet been credited to the union's account by the bank in calculating the amount reported in Item 22 (Cash). Form LM-2 must be prepared using the cash method of accounting. Under the cash method of accounting, receipts are recorded when money is actually received by your organization and disbursements are recorded when the money is actually paid out by your organization.

4. Other Liabilities

Local 14 reported funds totaling at least \$228,000 on deposit in its industry advancement fund, the LMCC fund, vacation fund, and scholarship fund in Schedule 10 - Other Liabilities. The LM-2 instructions for Schedule 10 state "do not report reserves for special purposes (for example, "Reserve for Building Fund*) that are actually an allocation of certain assets for specific purposes rather than a liability." The balances of these funds should be reported in Item 25 (Cash) unless Local 14 has incurred liabilities to pay funds from these accounts that should be reported as liabilities.

5. Signatures

Local 14's LM-2 report was only signed by Business Manager Dean Licht. Page 72 of the LM-2 Instructions state the completed Form LM-2 that is filed with OLMS must be signed by both the president and treasurer or corresponding principal officers of the labor organization.

6. Disbursements to Officers and Employees

Local 14 did not include payments to officers and employees totaling at least \$6,000 in Column F (Disbursements for Official Business) of Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

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. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur 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.

Also, Business Manager Dean Licht's name was erroneously listed on Schedule 12 (Disbursements to Employees) instead of Schedule 11 (Disbursements to Officers). As noted on page 20 of the LM-2 Instructions, all of the labor organization's officers and disbursements made to them should be reported on Schedule 11.

7. Salaries Listed as Allowances

Article VII, Section 1 of Local 14's bylaws provides that officers shall receive salaries of between \$10 and \$50 per month. However, Local 14 did not report salaries paid to part time officers in Column D (Gross Salary Disbursements) of the LM-2 report. Instead at least \$3,000 in salaries were reported in Column E (Allowances). The LM-2 instructions for Schedule 11 require that salaries and lost wages be reported in Column D. Column E should include allowances made by direct and indirect disbursements to each officer on a daily, weekly, monthly, or other periodic basis but should not include allowances paid based on mileage or meals (which must be reported in column F or G).

8. Withheld Taxes/Payroll Deductions

Line 8 (Less Deductions) of Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees) should include the total amount of withheld taxes, payroll deductions, and all other deductions. Local 14 erroneously reported \$0 deductions.

9. Failure to Itemize Disbursements

Local 14 did not properly report some "major" transaction(s) totaling at least \$18,000 in Schedules 18. A "major" transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. The audit found that \$6,000 was disbursed to H & H Electric, Inc. and listed on Schedule 18 as a non-itemized transaction; however, the disbursement should have been itemized because it was an individual disbursement of more than \$5,000.

Local 14 must file an amended Form LM-2 for fiscal year ending June 30, 2007, to correct the deficient items discussed above. I explained to you the filing procedures and the availability of filing software on the OLMS website (www.olms.dol.gov). The amended Form LM-2 must be electronically filed as soon as possible, but not later than

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June 13, 2008. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

Other Violation

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.

Local 14's officers and employees are currently bonded for \$280,000, but they must be bonded for at least \$288,000. Local 14 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but no later than June 13, 2008.

I want to extend my personal appreciation to Electrical Workers Local 14 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: Dean Licht, Business Manager