



June 29, 2011

Mr. Harvey J. Humphrey, Business Manager  
IBEW Local 415  
810 Fremont  
Cheyenne, WY 82001

Case Number: [REDACTED]  
LM Number: 029549

Dear Mr. Humphrey:

This office has recently completed an audit of IBEW Local 415 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 Chris E. Conine on June 14, 2011, 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 415's 2010 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 415 did not retain adequate documentation for credit card expenses incurred by Business Manager Harvey J. Humphrey and Organizer Doyle E. Eggli totaling at least

\$7,135. For example, they failed to retain receipts for meals, fuel, lodging, hotels, parking, and Home Depot purchases.

As 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 415 did not require officers and employees to submit itemized receipts for meal expenses totaling approximately \$400. 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 415 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, one of the officers purchased pizza but failed to explain the business conducted. 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. Items Sold/Given Away

Item 15 of the LM-2 should have been answered, "Yes," because the union gave away prizes during its meetings and picnics. However, the local failed to keep any record showing the disposition of those prizes. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipients or donors 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 values, and trade-in allowance for assets that it traded in.

## 4. Lack of Salary Authorization

Local 415 did not maintain records to verify that the salaries reported in Schedule 12 (Disbursements to Employees) of the LM-2 were the authorized amounts and therefore were 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.

5. Reimbursed Auto Expenses

Local 415's employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$720 during 2010. The union must maintain records, which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

During the exit interview, I provided a sample of an expense voucher Local 415 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for mileage and travel expenses.

6. Union Owned/Leased Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2.

Local 415 incurred expenses totaling at least \$1,822 for automobiles during 2010. However, Local 415 did not maintain records documenting business versus personal use of the union vehicles.

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.

7. Receipts and Disbursements Not Recorded

Local 415 failed to keep at least one record showing the date, amount, purpose, and source of the money for the receipts and disbursements from the local's "50-50 raffle" that took place during the 2009 picnic.

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 415 for the fiscal year ended June 30, 2010, was deficient in that or deficient in the following area:

1. Failure to Itemize Disbursements

Local 415 did not properly report several “major” transactions in Schedule 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 Local 415 failed to itemize overhead payments of \$5,580 to Cheyenne Light, \$5,390 to Orbitcom, and \$18,000 to IBEW Building Corporation even though the payments were included in Item 53 (General Overhead) calculation.

2. 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 415 amended its constitution and bylaws in 2010, but did not file a copy with its LM report for that year.

Local 415 has now filed a copy of its constitution and bylaws.

3. Failure to Report Receipts and Disbursements on the 2010 LM-2 Report

Local 415 did include on the 2010 LM-2 report the cash receipts and cash disbursements related to the local’s “50-50 raffle” that took place at the 2009 picnic. Unions are required to report all sources of receipts and all types of disbursements on “Statement B” of the LM-2 report. The union told OLMS that half of the receipts were paid out to the winner of the raffle and that the other half was used to pay in cash for some of the picnic’s expenses but that no records were kept.

Other Issues

1. Financial Safeguards

As I discussed during the exit interview with you and Office Manager Conine, the audit revealed that Local 415 does not have proper financial safeguards in place because the same person that is in charge of keeping the local’s accounting records also prepares checks, signs checks, collects dues, and reconciles the bank accounts. OLMS recommends that unions practice segregation of duties as a way of preventing financial fraud.

2. Cancelled Checks – cancelled checks are an essential part of the documentation that supports union disbursements. If your bank does not provide you with original cancelled checks, OLMS recommends that you find out if they are available on line, make copies of their images, and save them into some kind of electronic storage that can be easily access in the future.

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Based on your assurance that Local 415 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

I want to extend my personal appreciation to IBEW Local 415 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. Chris E. Conine, Office Manager  
Mr. Thomas C. McBride, President