

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Milwaukee District Office
310 West Wisconsin Avenue, Suite 1160
Milwaukee, WI 53203
(414)297-1501 Fax: (414)297-1685



July 22, 2009

Mr. Timothy Hemenway, President
Electrical Workers IBEW Local 953
2206 Highland Avenue
Eau Claire, WI 54701

LM File Number: 027-107
Case Number: [REDACTED]

Dear Mr. Hemenway:

This office has recently completed an audit of Electrical Workers IBEW Local 953 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/Financial Secretary Arlin Ziemann and Accountant Donald Grorud today, 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 Violation

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 953's 2008 records revealed the following recordkeeping violation:

Reimbursed Auto Expenses

Local 953 officers and employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$27,000. The majority of the mileage claims were not properly documented because the records retained in support of the claims identified only the dates, total miles driven (rather than locations to and from), and business purposes which were not sufficiently descriptive. Local 953 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.

Based on your assurance that Local 953 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 953 for fiscal year ending June 30, 2008, was deficient in the following areas:

1. Acquire/Dispose of Property (Additional Information)

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) was correctly answered, "Yes," because the union gave away buttons, t-shirts, pencils, and "other small gratuities" during the year. However, Local 953 failed to provide the value of the goods given away in Item 69 (Additional Information). The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members"

or “new retirees.” In addition, the value of any items on hand at the end of the year must be reported in Schedule 7 (Other Assets).

2. Fees, Fines, Assessments, Work Permits

Local 953 failed to correctly report receipts in Item 38 (Fees, Fines, Assessments, Work Permits). During the audit year, Local 953 collected at least \$4,900 in initiation fees and work permits. However, nothing was reported in Item 38. It appears these fees and permits were erroneously reported in Item 37 (Dues & Agency Fees).

3. Disbursements to Officers and Employees

Local 953 did not include some payment to officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). For example, Business Manager/Financial Secretary Arlin Ziemann incurred meal expenses charged to the union-issued credit card assigned to him. These payments are required to be included in the amounts reported in Column F (Disbursements for Official Business). The payments may be allocated among those individuals present at the meal or reported with other expenses incurred by the officer who paid for the expense. However, It appears that the local erroneously reported these payments Schedules 15 through 19. However, it appears that only reimbursed expenses were included in the amounts reported in Column F of Schedule 11, and that the local erroneously reported these payments in Schedules 15 through 19.

Direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business must be reported in Column F of Schedules 11 and 12 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur must be reported in Column F of Schedules 11 and 12. However, 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 must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11 and 12.

4. Wage Reimbursements to an Employer

Local 953 failed to correctly report payments totaling at least \$43,500 made on behalf of employees and officers in Schedule 11 (All Officers and Disbursements to All Officers) and/or Schedule 12 (Disbursements to Employees). Local 953 has an agreement with its two largest employers, Dairyland Power and Xcel Energy, in which the Local reimburses the employer for wages paid by Dairyland Power and Xcel Energy to union officers and employees who participate in contract negotiations. Local 953 then reimburses the employers for the wages paid to the officers and employees. These payments are considered "indirect disbursements" (as described above) to officers and employees for LM reporting purposes, and must be included in the amounts reported in Column D (Gross Salary Disbursements) of Schedule 11 and/or Schedule 12 allocated among those officers and employees who received the payments from Dairyland Power and Xcel Energy. It appears these payments were erroneously reported in Schedule 19 (Union Administration).

5. 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 953 amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year. Local 953 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 953 file an amended LM report for 2008 to correct the deficient items, but Local 953 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue:

Use of Signature Stamp

During the audit, Business Manager/Financial Secretary Arlin Ziemann advised that it is Local 953's practice for you to sign all union checks and to stamp the signature of Treasurer Scott Magnuson on union checks. 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, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the

Mr. Timothy Hemenway
July 22, 2009
Page 5 of 6

purpose of the two signature requirement. OLMS recommends that Local 953 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Electrical Workers IBEW Local 953 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. Arlin Ziemann, Business Manager/Financial Secretary
Mr. Donald Gorud, Accountant