

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Boston District Office
JFK Federal Building, Room E-365
(617) 624-6697 / FAX: (617) 624-6606



January 28, 2005

Timothy Watkins
IBEW 300
3 Gregory St.
So. Burlington, Vt. 05403

Re: r 2

Dear Mr. Watkins:

I have recently completed an audit of your fiscal year ended 6/30/03 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, as Amended (LMRDA). As discussed during the exit interview with you in November 2004, the following problems were discussed during the CAP. The matters listed below are not an exhaustive list of all possible problems since the audit conducted was limited in scope.

The CAP disclosed that the local was insufficiently bonded. The law requires that a union purchase a dishonesty bond covering the union from theft by officers and employees in amount that shall not be less than ten percent of the following: beginning liquid assets of your last complete audit year, plus cash receipts. In your instance, you need coverage of \$130,000 that you are now in the process of securing.

Schedule 10, disbursements to employees, failed to report the \$220 per month in auto allowance received by George Clain and you in column (e). Also, it appears that you have underreported column (f). Column (f) reflects all direct reimbursements an officer receives. No matter the purchase, no matter the purpose, when an officer receives a reimbursement from the union, it must be reported in column (f). In column (f), not only direct disbursements are reported, but indirect as well. You have an indirect disbursement when an officer or an employee makes the purchase, but it is the union who pays the vendor or store. Using a union credit card is the most common instance of an indirect disbursement. The officer buys the item and puts it on a union credit card. If the union then pays the credit card company, the entire transaction is an indirect expense of the officer. If on the other hand, the officer uses his personal credit card, pays the bill, and is reimburse by the union, the transaction is a direct disbursement and reported beside the officer's name in schedule 9 or 10.

But there are also several important exceptions to the indirect disbursement rule. Purchases of airfares and hotel rooms using a union credit card are reported as office and administration expenses, schedule 13. Second, if the officer incurs charges of items and services that are received or expended on behalf of the union, that is things such as hall rentals, office supplies and equipment, food for meetings, these expenditures, if paid to the provider or a credit card company, are reported elsewhere in the LM. The nature of the charge determines where it is reported. But remember, if the union officer is directly reimbursed by the union for such expenses, the payment must be reported in schedule 9 or 10, column (f).

In schedule 15, I found several items that should have been reported elsewhere. Insurance and publications and journals are office and administration expenses that are entered onto line 60, schedule B.

fully documented. The union does not require the employer to submit a written estimate of what it thinks it requires for a competitive bid. The union has no written rules or policy as to how it studies requests, and how it agrees upon the amount of the grant. Also, the members of the committee should sign-off on all decisions. The union should also institute a formal or informal audit system that monitors the accuracy of the hours and wages submitted by employers when seeking payments from the union.

The union may also wish to consider a market recovery program wherein the union partially defrays the employer's obligations to the various benefit funds. In this way, payments are made to the funds, not the employer. However, please consult an attorney for advice prior to changing the program.

Also, I suggest that you desist from allocating within the financial records the union's payroll taxes and benefit costs between your utility and construction units. This will save you time and complexity as you maintain your union books. A log of your time can accomplish the same purpose with much less effort.

I want to extend my personal appreciation for your and your entire staff's cooperation and courtesy during this compliance audit. If I can be of any assistance in the future, please do not hesitate to call.

Sincerely,

(cc)

Investigator

cc: