



April 16, 2013

Mr. Terral Akins, Business Manager
IBEW Local 124
301 E 103rd Terr
Kansas City, MO 64114

Case Number: 550-11679()
LM Number: 037202

Dear Mr. Akins:

This office has recently completed an audit of IBEW Local 124 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, Financial Secretary Michael Damico, President Rudy Chavez, Bookkeeper Margaret Heyer, CPA Ronald Eib and Attorney Robert Henry on March 27, 2013, 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 124's 2012 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 124 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers totaling at least \$15,403.88. For example, All

American Clothing in the amount of \$900.00, Hickory Farms in the amount of \$5010.88 and Trammell Equipment Company in the amount of \$1777.36.

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 124 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$2,928.36. In addition, Local 124 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. The union must maintain itemized receipts provided by restaurants to officers and employees and include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. These itemized receipts and explanations are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Based on your assurance that Local 124 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 124 for the fiscal year ended June 30, 2012, was deficient in the following areas:

1. Certificates of Deposit Reported As Investments

Local 124 improperly included the value of certificates of deposit as investments in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit to be cash. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements.

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 124 amended its constitution and bylaws in 2012, but did not file a copy with its LM report for that year.

Local 124 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 124 file an amended LM report for 2012 to correct the deficient item, but Local 124 has agreed to properly report the deficient item on all future reports it files with OLMS.

Other Issues

1. Personal use of Credit Cards

The audit revealed that Local 124 officers use union credit cards to pay for personal expenses. Although officers and employees promptly repaid Local 124 for the personal expenses charged, OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds.

Local 124 has agreed to adopt an expense policy banning personal expenses.

2. Use of Signature Stamp and One Signature

During the audit, you advised that it is Local 124's practice to occasionally stamp the signature of President Rudy Chavez and Treasurer Erica Johnson on union checks and that Damico is the only signatory on the Office Account. You also indicated that Chavez and Johnson review the checks by email before they are stamped and the checks must have at least one signature. Article XVIII, Section 4 of International Constitution requires that checks be signed by the president and treasurer. 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 purpose of the two signature requirement. OLMS recommends that Local 124 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to IBEW Local 124 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