

**U.S. Department of Labor**

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September 22, 2009

Mr. William "Bill" Frederick, Business Manager  
Electrical Workers IBEW AFL-CIO  
System Council 19  
12181 Hwy 25  
Calera, AL 35040

LM File Number: 010-121  
Case Number: [REDACTED]

Dear Mr. Frederick:

This office has recently completed an audit of System Council 19 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, Assistant Business Manager Philip Hamilton, and Treasurer Ronny Bonham on August 28, 2009, 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 System Council 19's 2008/2009 records revealed the following recordkeeping violations:

1. Meal Expenses

System Council 19 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 a meal receipt dated 07-09-08 (Panama City, FL) in the amount of \$299.30 was present in the union files and the meal was paid for with union funds. The meal receipt (or attached document) did not have the names of the attendees at the meal and the nature of union business discussed during the meal. A meal receipt dated 7-11-08 (Panama City, FL) in the amount of \$60.63 was present in the union files and the meal was paid for with union funds. The meal receipt (or attached document) did not have the names of the attendees at the meal and the nature of union business discussed during the meal. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

2. General Reimbursed Expenses

System Council 19 did not retain adequate documentation for reimbursed expenses incurred by Business Manager Frederick totaling at least \$189.94 for cell phone and data services. As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (other corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records to sufficiently explain the operation of the union.

3. Vacation Records

The Council awards vacation time based on what the employee would have earned if they were still employed by the employer. No Council record was present indicating the vacation days accrued or used for any of the officers. The president and treasurer (other corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

4. Union Owned Vehicles

System Council 19 did not maintain records necessary to verify the accuracy of the information reported in Schedules 12 (Disbursements to Employees) of the LM-2 for Business Manager Bill Frederick and Assistant Business Manager Philip Hamilton. System Council 19 incurred expenses totaling at least \$7,188.94 for the automobiles assigned to Frederick and Hamilton for the FYE 06-30-2009. System Council 19 did not maintain records documenting business versus personal use of the union vehicles. Additionally no mileage logs or purpose trip logs were used for the 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 11/12, 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.

5. Failure to Maintain Records/Supporting Documentation for Disbursements

System Council 19 did not retain adequate documentation for disbursements and/or expenses totaling at least \$450.00. For example, a disbursement dated 7-25-08 for \$450.00 payable to Delta Airlines for air fare for Bill Frederick to travel from Atlanta, GA to Seattle, WA, did not have a ticket, invoice, or receipt.

As previously 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.

Based on your assurance that System Council 19 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 violations 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 System Council 19 for fiscal year ending June 30, 2008, was deficient in the following areas:

1. Failure to File By Laws

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. System Council 19 amended its Bylaws in 2002 but did not file a copy with its LM report for that year or any year since. As agreed, System Council 19 will file a copy of its current constitution and bylaws with OLMS as soon as possible but not later than September 24, 2009.

2. Disbursements to Employees

System Council 19 did not include some payments to employees totaling at least \$3,000.00 in Schedule 12 (Disbursements to Employees) for FYE June 30, 2008. The audit revealed Office Manager Nan Moore had a \$3,000.00 cash award disbursement above her earned salary. 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.

3. Failure to Itemize Disbursement or Receipt

System Council 19 did not properly report several transaction(s) in Schedule 17, Contributions, Gifts, and Grants. For example, the audit found that System Council 19 spent \$2,493.90 on contributions, gifts, and grants for the FYE 06-30-2008. The local reported \$2,000.00 on Line 52 of the LM-2 report. Schedule 17 must be completed to accurately reflect those expenditures.

4. Sufficient Details Required on LM-2 Report

The LM-2 for FYE 06-30-2008 revealed the following two reporting violations: A review of the union's bonding revealed the union is bonded for \$75,000, however; Line 14 was incorrectly annotated with \$45,000. Line 69 does not contain the address or purpose of the Trust identified in Question 10.

5. Fixed Assets Reported As Investments

System Council 19 improperly included the value of their land and union building located in Calera, AL, as an investment in Schedule 5 and on line 26a and 26b. For LM reporting purposes, OLMS considers land and buildings to be fixed assets and should be reported in Schedule 6 and on line 27a and 27b.

6. Withholding Taxes

System Council 19 did not properly report the amount of withholding taxes in Schedule 11/12 nor on Line 67A. Line 67A was annotated with \$53,324 however this amount was not the sum of deductions reported on Line 8 of Schedule 11 and Line 9 of Schedule 12. The payroll records and W-2s revealed the withholding amount from the officers and the employees of the Council for the FYE 06-30-2008 was \$50,776.00. The union must properly report all withheld taxes and payroll deductions on Schedules 11 and 12.

System Council 19 must file an amended Form LM-2 for fiscal year ending June 30, 2008, 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](http://www.olms.dol.gov)). The amended Form LM-2 must be electronically filed as soon as possible, but not later than September 24, 2009. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

Other Issue

The audit disclosed the following other issue:

### Use of Signature Stamp

During the audit, Treasurer Ronny Bonham advised that it is System Council 19's practice for Ronny Bonham to sign all union checks and to stamp the signature of Chairman Arthur G. James, Jr. on union checks. Bonham indicated that no one but him reviews the checks before they are issued. Article 5(c) of System Council 19's bylaws 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 System Council review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to System Council 19 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: Treasurer Ronny Bonham and Assistant Business Manager Philip Hamilton