



October 30, 2015

Mr. Dennis Henry, Treasurer
Electrical Workers (IBEW) Local 2271
912 Haines Avenue
Wilmington, DE 19809

Case Number: 140-6006265()
LM Number: 066480

Dear Mr. Henry:

This office has recently completed an audit of Electrical Workers Local 2271 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 on October 27, 2015, 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 2271's 2015 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 2271 did not retain adequate documentation for general reimbursed expenses incurred by union officers totaling at least \$995. One example includes a check issued on

May 24, 2015 to President Pearse Kerr totaling \$285, which was not supported by adequate documentation. You indicated that President Kerr was issued this check because he initially paid for the May 2015 meeting expenses on his personal credit card, and was later reimbursed by the union.

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. Lost Wages

Local 2271 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$360. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 2271 did not identify the number of hours lost, and the rate of pay for each officer who was reimbursed lost wages.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 2271 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

3. Disposition of Property

Local 2271 did not maintain an inventory of IBEW logo sweatshirts it purchased and sold. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

The union must record in at least one record the date and amount received from each sale of union shirts, hats, jackets and other items.

4. Failure to Record Receipts

Local 2271 did not adequately record in its receipts records any sources of receipts including employer dues checkoff checks and checks received from direct dues payers. For example, although the local included the total amount of receipts deposited per month in their general ledger, the union did not itemize their receipts appropriately. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

5. Lack of Stipend Authorization

Local 2271 did not maintain records to verify that the officer stipends reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. The union must keep a record, such as meeting minutes, to show the current stipend amounts authorized by the entity or individual in the union with the authority to establish officer stipends.

Based on your assurance that Local 2271 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-3) filed by Local 2271 for the fiscal year ended June 30, 2015 was deficient in the following areas:

1. Delinquent Report

The audit revealed that Local 2271 did not file their Form LM-3 until October 26, 2015. Form LM-3 must be filed within 90 days after the end of your organization's fiscal year (12-month reporting period). The law does not authorize the U.S. Department of Labor to grant an extension of time for filing reports for any reason.

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 2271 amended its constitution and bylaws in 2015, but did not file a copy with its LM report for that year.

Local 2271 has now filed a copy of its constitution and bylaws.

Other Violation

The audit disclosed the following other violation(s):

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that Local 2271's officers were not bonded for the minimum amount required at the time of the audit. However, Local 2271 obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issue

Duplicate Receipts

Two members of Local 2271 pay dues directly to the union. Not only are the dues payments not recorded in the local's records, the union also does not issue receipts to direct dues payers or any other member paying cash or check to the union, such as for the sale of IBEW Logo apparel. OLMS recommends that Local 2271 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to IBEW Local 2271 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