



July 14, 2016

Mr. Jason Olson, President/Business Manager  
Electrical Workers IBEW AFL-CIO Local 663

Case Number: 320-6006963 [REDACTED]  
LM Number: 025779

Dear Mr. Olson:

This office has recently completed an audit of Electrical Workers IBEW AFL-CIO Local 663 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 Andrew Crowbridge, and Treasurer Andrew Roskopf on June 6, 2016, 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 663's 2014 and 2015 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and General Reimbursed Expenses

Local 663 did not retain adequate documentation for disbursements to vendors and payments to Mr. Crowbridge and former President/Business Manager [REDACTED] totaling at least \$572 in 2014 and \$715 in 2015. For example, adequate supporting documentation was not retained for a \$120 reimbursement to Mr. Crowbridge on December 17, 2014 for a charge he incurred at Fox Run Lanes Bowling Alley in Waukesha, WI on December 15, 2014 for Local 663's annual Christmas Party. Mr. Crowbridge failed to retain an itemized receipt for this expense and the credit card charge receipt that was retained by Mr. Crowbridge was not adequate in that it did not indicate what was purchased. As another example, adequate supporting documentation was not retained for a \$150 check issued to Peter J. Eggers, CPA, on July 28, 2014 for accountant fees. In support of this payment, Local 663 only retained the check stub, which is not sufficient.

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. Reimbursed Auto Expenses

[REDACTED] and Member [REDACTED], who received reimbursement for the business use of their personal vehicles, did not retain adequate documentation to support payments to them totaling at least \$560 in 2014 and \$351 in 2015. [REDACTED] mileage reimbursements were claimed on expense vouchers that normally identified total mileage expenses, total miles driven, and the union business conducted; however, the expense vouchers were not sufficient because they failed to identify one or more of the following items: the dates of travel, the locations traveled to and from, and the number of miles driven each day. [REDACTED] single reimbursement was claimed on an expense voucher that identified the total mileage expense, the total miles driven, the date of travel, and the union business conducted; however, the expense voucher was not sufficient because it failed to identify the locations traveled to and from. The union 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.

3. Lost Wages

Local 663 did not retain adequate documentation for lost wage reimbursement payments to former Vice President/Shop Chairman [REDACTED] totaling at least \$984 during 2014 and \$1,675 during 2015. The audit found that [REDACTED] did not always identify on the lost wage vouchers the date lost wages were incurred and the number of hours lost on each date. In addition, the audit revealed that Local 663 failed to retain a voucher for at

least one of [REDACTED] lost wage reimbursements. 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.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments* that contained a sample of an expense voucher Local 663 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.

#### 4. Failure to Maintain Receipt Records and Receipt Dates Not Recorded

The audit revealed that Local 663 did not retain the deposit slip or deposit receipt for dues receipts totaling \$268 that were deposited on June 26, 2015. In addition, an entry in Local 663's QuickBooks general ledger reflects the date the union deposited money, but not the date money was received, for a refund check received from the Internal Revenue Service totaling \$431.80. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

As previously noted, 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.

#### 5. Failure to Retain Voided Checks

The audit revealed that Local 663 failed to retain three voided checks during fiscal year ended June 30, 2015. During the exit interview, Mr. Roskopf stated that he thinks that these checks were destroyed after they were voided and that he was not aware that voided checks needed to be retained. As a general rule, all types of records created or used in the normal course of doing union business must be maintained by the union for five years.

Based on your assurance that Local 663 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(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 663 amended its bylaws in 2015, but did not file a copy with its LM report for that year. Local 663 has now filed a copy of its current bylaws.

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 663 for the fiscal years ended (FYE) June 30, 2014 and June 30, 2015 were deficient in the following areas:

#### 1. Officers and Disbursements to Officers

The audit revealed that Local 663 did not report [REDACTED] as a local officer in Item 24 for 2015. The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union. The audit also revealed that Local 663 did not include some gross salary payments to you totaling at least \$900 in 2014 and to [REDACTED] totaling at least \$1,000 in 2015 in the amounts reported in Item 24 (All Officers and Disbursements to Officers), Column D (Gross Salary). Local 663's disbursements records for 2014 indicate that you received gross salary totaling \$2,250; however, the total amount reported in Column D of Item 24 for you was \$1,350. Local 663's disbursements records for 2015 indicate that [REDACTED] received gross salary totaling \$1,000; however, Local 663 did not report [REDACTED] or the payments to him or on his behalf in Item 24 for 2015.

In addition, Local 663 did not include reimbursements to [REDACTED] and former Financial Secretary [REDACTED] totaling at least \$1,980 in 2014 and to [REDACTED] and Mr. Crowbridge totaling at least \$479 in 2015 in the amounts reported in Column E (Allowances and Other Disbursements) of Item 24. Local 663's disbursements records for 2014 indicate that [REDACTED] and [REDACTED] received reimbursed expenses totaling \$1,980; however, the total amount reported in Column E of Item 24 for [REDACTED] and [REDACTED] was \$0. Local 663's disbursements records for 2015 indicate that [REDACTED] and Mr. Crowbridge received reimbursed expenses totaling \$479; however, the total amount reported in Column E of Item 24 for Mr. Crowbridge was \$0 and, as noted above, Local 663 did not report [REDACTED] or the payments to him or on his behalf in Item 24 for 2015. It appears the union erroneously reported the payments to these officers in Item 48 (Office & Administrative Expenses) and/or Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 663 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company)

for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel for room rent only) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Statement A (Cash Balance)

It appears that the cash figure reported in Item 25 (A) (Cash, Start of the Reporting Period) for 2015 is not the figure according to Local 663's books after reconciliation to the bank statements. The cash balance as of July 1, 2014, as reconciled to the bank statements, was \$13,095.93; however, the cash balance reported in Item 25 (A) was \$14,711. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

3. Total Receipts and Disbursements Under-Reported

The audit revealed that Local 663 had total receipts of \$40,195 recorded in QuickBooks and on its bank statements during 2015. However, Local 663 reported total receipts of \$27,640 in the Cash Receipts section of Statement B (Receipts and Disbursements). Similarly, the audit revealed that Local 663 disbursed funds totaling \$43,681 during 2015; however, Local 663 reported total disbursements of \$32,488 in the Cash Disbursements section of Statement B.

It appears that most of the discrepancy can be attributed to Local 663 "netting" its receipts and disbursements related to member dues, meaning that related receipts and disbursements were offset by one another and only the difference was reported as a receipt or disbursement, thereby resulting in total receipts and total disbursements being under-reported in Statement B. The LM-3 instructions state that since Statement B reports all cash flowing in and out of an organization, "netting" is not permitted.

The audit also revealed that during 2014 and 2015, Local 663 recorded receipts totaling at least \$780 in its QuickBooks general ledger a month or more after the receipts were actually received by the union, which resulted in these receipts being reported in a different fiscal year than they were actually received. The LM-3 instructions require that the LM-3 be prepared using the cash method of accounting. Under the cash method of accounting, receipts are recorded when money is actually received by your organization and disbursements are recorded when money is actually paid out by your organization. As noted above, failure to record the exact date that monies were received could result in some receipts being reported in a different year than they were actually received. Local 663 should take steps to ensure that all transactions are recorded in a timely manner.

I am not requiring that Local 663 file amended LM reports for 2014 and 2015 to correct the deficient items, but Local 663 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Electrical Workers Local 663 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. Andrew Crowbridge, Financial Secretary  
Mr. Andrew Roskopf, Treasurer