



September 10, 2010
Mr. Jeff Allred, President
IBEW Local 778
964 Lawrence 1240
Ash Grove, MO 65604

Case Number:
[REDACTED] LM Number:
032444

Dear Mr. Allred:

This office has recently completed an audit of IBEW Local 778 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 and Treasurer Michael J. McKinney on September 2, 2010, 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.

A review of Local 778's 2007 records and an audit of Local 778's 2008 and 2009 records revealed the following recordkeeping violations:

1. Failure to Maintain Backup Records for Disbursements

Local 778 did not retain bank statements provided by the Railway Credit Union. Specifically, the local did not retain bank statements for the months of January, March,

June, July, August, and December 2009. The statements were obtained during the audit from the local's accountant.

The local did not retain backup records to explain and clarify the following disbursements to Davis, Lynn, Moots, PC totaling \$2,250. Specifically, the local issued checks on January 3, 2008, and July 17, 2008, for \$1,100 and 1,150 respectively to Davis Lynn, Moots, PC.

2. General Reimbursed Expenses

Local 778 did not retain adequate documentation for reimbursed expenses incurred by Jeff Allred totaling at least \$1,221.33 during fiscal year ending 2007. For example, the following checks to Allred did not have backup records to support the disbursement: check number [REDACTED] issued on February 8, 2007 for \$276.43; check number [REDACTED] issued on March 1, 2007, for \$281.03; check number [REDACTED] issued on May 3, 2007, for \$287.60; check number [REDACTED] issued on June 7, 2007, for \$281.07; and check number [REDACTED] issued on June 21, 2007, for \$95.20.

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.

3. Meal Expenses

Local 778 did not require officers to submit itemized receipts for meal expenses totaling at least \$45.71. The union must maintain itemized receipts provided by restaurants to officers. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 778 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, the local did not maintain itemized receipts for meals at the Hacienda Restaurant in August, November, and December 2007. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

Since Local 778 maintained adequate backup records during the fiscal year ending 2009, and based on your assurance that Local 778 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 778 for fiscal year ending December 31, 2007, was deficient in that the report did not reconcile by \$1,067. Local 778's LM-3 report for fiscal year ending December 31, 2008, reconciled; however, the local's LM-3 report for fiscal year ending 2009 did not reconcile by \$338. The LM-3 Instructions, page 14, provides the following worktable that may be used to determine the figures for receipts, disbursements and cash are correctly reported:

A.	Cash at Start of Reporting Period – Item 25, Column (A)	\$ _____
B.	Add: Total Receipts – Item 44	\$ _____
C.	Total of Lines A and B	\$ _____
D.	Subtract: Total Disbursements – Item 55	\$ _____
E.	Cash at End of Period	\$ _____

If Line E does not equal the amount reported in Item 25, Column (B), there is an error in your organization's report which should be corrected.

I am not requiring that Local 778 file an amended LM report for 2007, 2008, and 2009, to correct the deficient items, but Local 778 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Failure to File LM-3 Report Timely

Federal law and regulations require your union to file its annual financial report, Form LM-3, with the Office of Labor-Management Standards (OLMS) within 90 days after the end of its fiscal year. According to our records, your union's fiscal year ended on December 31, 2009. Therefore, your union's annual financial report should have been filed by March 31, 2010. Your 2009 LM report has been collected, but was submitted late. The president and treasurer or corresponding principal officers of your union are responsible for filing the report. Failure to file this report violates the reporting requirements of the law and can result in criminal or civil penalties against those individuals.

2. Failure to Hold Last Election of Officers by Secret Ballot

A review of the local's meeting minutes revealed that members did not vote for their candidate in secret during the last election of officers. According to the LMRDA, local unions must elect their officers by secret ballot at least every three year.

I want to extend my personal appreciation to IBEW Local 778 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,

[REDACTED]

Investigator

cc: Mr. Michael J. McKinney, Treasurer

[REDACTED]