

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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July 25, 2006

Mr. Milton McBreairty, Business Manager
IBEW Local 567
P.O. Box 1289
238 Goddard Road
Lewiston, ME 04240

Re: Case Number: XXXXXXXXXX

Dear Mr. McBreairty:

This office has recently completed an audit of IBEW Local 567 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 Milton McBreairty and Kirk Allen on July 21, 2006, 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.

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 567's 2005 records revealed the following recordkeeping violations:

Union officers and employees failed to maintain adequate documentation for reimbursed expenses and for expenses charged to union credit cards. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded.

As agreed, provided that Local 567 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

I strongly urge Local 567 to adopt clear guidelines regarding what types of expenses personnel may charge with union credit cards and what types of out-of-pocket expenses personnel may be reimbursed. Our office is readily available to provide guidance to you regarding the requirements of the law as they would pertain to any policies your union might adopt. If written guidelines are adopted in the near future, I would appreciate it if you would provide a copy to this office.

The CAP also 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 567 for fiscal year ending December 31, 2005, was deficient in the following area:

- LM-2 Schedules 11 and 12 (All Officers and Disbursements to Officers/Disbursements to Employees)

Local 567 failed to include some indirect disbursements for meal expenses incurred by officers and employees that traveled for union business. Such payments appear to have been erroneously reported in Schedules 15 through 19.

Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 11 and 12 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 11 and 12. However, indirect disbursements for business expenses incurred for transportation by public carrier (such as an airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11 and 12.

As agreed, Local 567 will file an amended Form LM-2 for fiscal year ending December 31, 2005 to correct the deficient items discussed above. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures. Please send the amended form to this office no later than August 9, 2006.

The audit also 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 handled by those individuals or their predecessors during the preceding fiscal year. Local 567's officers and employees for the IBEW 567 Building Corporation are currently bonded for \$10,000, but they must be bonded for at least \$13,000. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained, but not later than August 9, 2006.

Finally, the audit revealed that union officers Milton McBreairty and Allan Shepard were erroneously paid per diems for travel to several conferences during February 2005 to April 2005, even though their expenses for meals and incidentals were already paid for by the union's credit card. Officers McBreairty and Shepard have already reimbursed the union for the per diems, in the amounts of \$421.00 and \$188.00 respectively. No further action will be taken regarding this violation.

I want to extend my personal appreciation to IBEW Local 567 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