

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Division of International Union Audits
1341 G Street, N.W., Room 201
Washington, D.C. 20210



May 15, 2008

Mr. Edwin D. Hill
International President
International Brotherhood of Electrical Workers, AFL-CIO
900 Seventh Street, N.W.
Washington, D.C. 20001

RE: International Compliance Audit Program (I-CAP)
International Brotherhood of Electrical
Workers, AFL-CIO (IBEW)
LM File Number 000-116

Dear President Hill:

As you are aware, the Office of Labor-Management Standards within the Department of Labor (Department) recently completed a compliance audit of the International Brotherhood of Electrical Workers, AFL-CIO (IBEW). Among other findings, the audit revealed that disbursements for *Christmas party, rent, human resources/payroll services, building security, legal retainers, household moving and storage, investment fees, travel consultant fees, telephone, maintenance and audit services* were reported in Schedule 15 (Representational Activities), Schedule 16 (Political Activities and Lobbying) and Schedule 19 (Union Administration) on the IBEW's 2006 Labor Organization Annual Report, Form LM-2. This deficiency was described in Item #3 of our audit closing letter dated April 16, 2008. The Department advised that these types of disbursements are reportable in Schedule 18 (General Overhead) unless they were for a specific expense or activity represented by the schedule.

As noted in Item #5, IBEW allocated time for employees (*Maid, Accounting, Mailroom, Engineers, etc.*) who perform building or general support services as "Representational Activities," "Political Activities" and "Union Administration." It did not appear reasonable that no time was reported for these employees in "General Overhead." Please note that the "building services" category includes not only the departments/positions mentioned previously, but also *Travel and Marketing, Investments, Reprographics, Personnel, Support Services, Imaging, Supply Service, Computer Service, Security and Electricians*.

We discussed these matters with IBEW representatives on May 1, 2008. At that meeting, IBEW stated that for the 2006, 2007, and 2008 Form LM-2: (1) "Christmas party" would be reported on Schedule 18 (General Overhead) and; (2) a method could be determined to allocate a percentage of time for the maid and engineers to "General Overhead."

It may be helpful to review the rules concerning the allocation of disbursements that would otherwise constitute general overhead to functional categories. As a general rule,

disbursements for operating and other overhead expenses should be allocated to Schedule 18 (General Overhead) if they cannot be allocated to any of the other disbursement categories. Such disbursements can be allocated to another disbursement category (and thus not appear in Schedule 18) if the disbursements support a specific function or are specifically related to a particular purpose or activity for which there is a functional category. Otherwise, the disbursements should be reported in Schedule 18 (General Overhead).

Disbursements relating to personnel who directly support an officer or employee, such as the salary of an assistant, should be allocated to the functional categories in the same ratio as the time allocations of the person to whom they provide support. Similarly, disbursements for personal use property, such as disbursements relating to a cell phone issued to an officer or employee for business use, should be reported in the same functional categories as the time allocations of the officer or employee.

Disbursements in support of a specific activity, such as a telephone bank used for political activities, can be allocated to the functional category appropriate to that activity.

Disbursements relating to building, property, or office usage also should be allocated to Schedule 18 (General Overhead) if they cannot be allocated to any of the other disbursement categories. Such disbursements can be allocated to another disbursement category (and thus not appear in Schedule 18) to the extent the facilities are used for activities for which there is a functional category. Otherwise, the disbursements should be reported in Schedule 18 (General Overhead). Time allocations of officers and employees generally cannot be used as a basis for determining the use of the facilities. Time allocations reflect the activities of the officers and employees of the union and do not necessarily reflect the use of the building. Many representational and other activities occur outside of the office. For that reason, records must be maintained that document the use of the facilities.

Generally, to be sufficient, records should include a contemporaneously maintained, daily log of office usage and all activities occurring in the office. Portions of an office that are used solely for a single purpose, such as an organizing division devoted to organizing, may not require daily documentation. Any business day for which union records do not document any office usage or activities, should be considered general overhead. If, for example, throughout the course of the report period, union records document an office usage/activity allocation of 80% representational, 10% union administration, and 10% general overhead, then office related disbursements can be allocated to those functions according to those percentages. As an alternative, the union may choose to report such otherwise non-allocable disbursements as general overhead.

Our position on disbursements is that the overhead expenses discussed in Item #3 of the closing letter may be allocated among Form LM-2 Schedules 15, 16 and 19 if IBEW has documentation to show that the disbursement can be attributed to a specific activity. As an alternative, disbursements related to buildings or office space may be allocated according to building usage if the union maintains adequate records that document office usage and activities occurring in the office and such usage and activities are for or support those specific Form LM-2 functions.

Regarding time allocations for employees who perform general support services not related to building support, such as Accounting, Personnel, Mailroom and Computer Services, our position is that the IBEW may allocate based on the individuals that they support. Maids, Engineers, Electricians and similar building support personnel can only be allocated according to building usage as discussed above. As an alternative, the union may choose to report these individuals' time as general overhead. The Investment Department does not support a specific function and does not relate to the building, so this department should be reported in Schedule 18.

In view of the adjustments that will be required to reflect these changes, IBEW requested additional time to submit amended Form LM-2's for the fiscal years ending June 30, 2006 and June 30, 2007 and a response to the closing letter. You have thirty days from the date of this letter to submit those reports and your response letter. The reports should address the deficiencies in the April 16, 2008 closing letter and the resolution to the functional classification issues discussed herein.

If you have any questions, please do not hesitate to call me on (202) 693-8275.

Sincerely,


James D. Devine, Chief
Division of International Union Audits

cc: Mr. Larry Cohen, Sherman, Dunn, Cohen, Leifer & Yellig, P.C.