



March 8, 2024

Ms. Lizzeth Perez, Financial Secretary
Electrical Workers (UE) Local 1008
13800 Parkcenter Lane - Apartment 732
Tustin, CA 92782

Case Number: 520-6027541()
LM Number: 543-997

Dear Ms. Perez,

This office has recently completed an audit of Electrical Workers (UE) Local 1008 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 Vice President Fred Hatef on February 23, 2024, 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 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 1008's 2022 records revealed the following recordkeeping violations:

1. Disposition of Property

Local 1008 did not maintain an adequate inventory of t-shirts it purchased and gave away, totaling \$2,849. 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.

In addition, the union must retain records that identify the date the items were given away and the recipients of those items.

2. General Reimbursed Expenses

Local 1008 did not retain adequate documentation for some reimbursed expenses paid to the officers. For example, President Joel Faypon was reimbursed for the purchase of t-shirts to be given away to members, totaling \$2,849. However, no supporting documentation was retained.

As noted above, labor organizations must retain original receipts, vouchers, and bills for all disbursements. The president and financial secretary (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. Lost Wages

Local 1008 did not retain adequate documentation for some lost wage reimbursement payments. 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 1008 did not maintain any records that identified the date lost wages were incurred, the number of hours lost on each date, the applicable pay rate, or 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 1008 may use to satisfy this requirement. The sample identifies the type of information and documentation that the union must maintain for lost wages and other officer expenses.

Based on your assurance that Local 1008 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 1008 for the fiscal year ending December 31, 2022, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period, did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered "yes" because the union gave away t-shirts during the year totaling at least \$2,849. The local must identify the type and value of any property received or given away in the additional

information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The local does not have to itemize every recipient of such giveaways by name. The local can describe the recipients by broad categories if appropriate such as "members".

2. One Officer Signing the LM-3 Report as Both President and Financial Secretary

The audit revealed you erroneously signed the LM report in Items 57 and 58 (Signatures). President Faypon must sign the report in Item 57. The LM instructions require the report be signed by both the president and treasurer, or corresponding principal officers of the union.

3. Disbursements to Officers

Local 1008 failed to correctly report disbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers) totaling at \$11,000. For example, union records show President Faypon received at least \$3,834 in lost wages, but only \$3,314 was reported in Column D (Gross Salary) of Item 24.

In addition, Local 1008 failed to correctly report disbursements to officers for reimbursed expenses in the amounts reported in Column E (Allowances and Other Disbursements) of Item 24 totaling at least \$3,200. For example, President Faypon received direct disbursement for expenses totaling \$3,256. However, nothing was listed in Column E. It appears these payments were erroneously reported elsewhere on the report.

Most direct disbursements to Local 1008's officers and some indirect disbursements made on behalf of its officers must be reported 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) 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).

4. Statement A (Cash Balances)

Local 1008 failed to correctly report its cash balance in Statement A (Assets and Liabilities). It appears the cash figure reported in Item 25A (Start of Reporting Period) and Item 25 (Cash End of the Reporting Period) are incorrect. Local 1008 used bank statements as its only union record balances, receipts, and disbursements. The checking and savings bank statement showed Local 1008's combined beginning balance was \$104,300, but the union reported \$108,785 in 25A. In addition, the checking and savings

bank statements show Local 1008's combined ending balance was \$45,268, but only \$34,437 was listed in Item 25B.

5. Per Capita Tax

Local 1008 failed to correctly report per capita tax disbursements in Item 47 (Per Capita Tax). The audit revealed Local 1008 disbursed at least \$221,894 to the International Union for per capita tax. However, it erroneously reported \$234,618 in Item 47.

Local 1008 must file an amended Form LM-3 for the fiscal year ended December 31, 2022 to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms Systems (EFS) available at the OLMS website at www.dol.gov/agenices/olms. The amended Form LM-3 must be filed no later than March 20, 2024. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Issues

1. Signing Blank Checks

During the audit, Local 1008 advised that officers sometimes sign blank checks for convenience. Articles 6 and 8 of Local 1008's bylaws require that all checks be signed by the president and recording secretary. The two-signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check and negates the purpose of the two-signature requirement. OLMS recommends that Local 1008 review these procedures to improve internal control of union funds.

2. Compensation and Lost Time Policy

The audit revealed some possible discrepancies concerning lost time payments to President Faypon. The audit revealed that there were 11 instances, totaling \$3,834 where President Faypon submitted lost time claims to the union in which no wages were lost. For example, President Faypon submitted lost time claims for August 2, 2022. Employer records showed President Faypon worked eight hours on the same date.

Financial Secretary Perez advised that local 1008 has an unwritten policy for union business that is conducted on non-scheduled work hours. OLMS recommends Local 1008 adopt written guidelines for the reimbursement of lost wages or paid personal time as such policies can help ensure effective control over union finances. In addition, OLMS recommends that Local 1008 review its lost time and payroll procedures to improve internal control of union funds. Verification of lost time claims submitted by union personnel by either allowing trustees to compare lost time claims to employer records or by requiring union personnel to submit proof of lost wages claimed (i.e., timecards) can be an effective internal control for such payments.

3. Meeting Minutes

Local 1008 held membership meetings, but did not create meeting minutes. You advised that authorization and approval for expenditures is not required to be recorded in the minutes. Article eight of Local 1008's bylaws require that the recording secretary keep all records of the executive board and membership meetings. Meeting minutes are the official record of discussions, decisions, and actions. OLMS recommends Local 1008 review its policies and procedures regarding meeting minutes.

I want to extend my personal appreciation for your cooperation and courtesy extended during this compliance audit. I recommend that you make this letter and the compliance assistance materials provided are passed on to future officers. If OLMS can provide additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Mr. Joel Faypon, President
Mr. Fred Hatef, Vice President