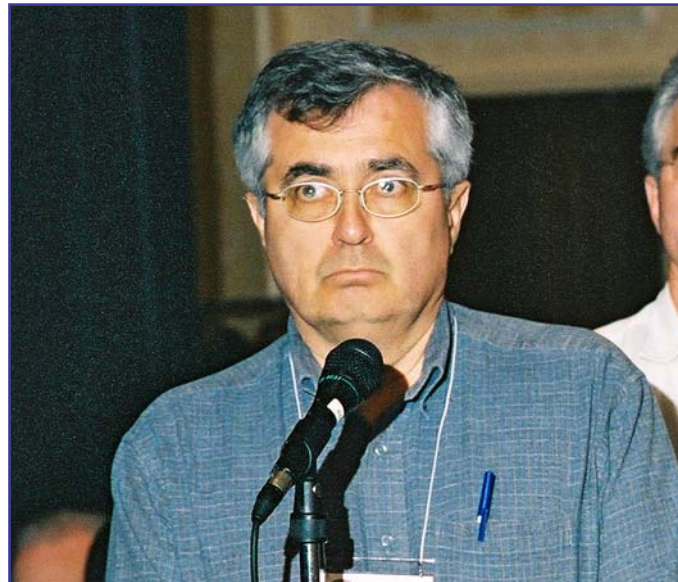


News from the Society of Energy Professionals

Society Council approves plan for changes



OPGN representative Steve Schillaci: a "debt of gratitude" for a "myriad of milestones," page 3

Society Council approved a plan for changes called for by recent audits of the Society's governance structures. An independent expert—with union experience—will be retained to oversee implementation of the changes.

Council met in Toronto on April 22nd to discuss results from the audits and to consider the Executive Board's recommendations for addressing the internal weaknesses that were revealed. While debate was spirited, the Board's plan was ap-

proved with some amendments. It is expected that over the next few months the required improvements will be made.

Addressing Society members in an e-mail message the next Tuesday, Society President **Andrew Müller** took full responsibility for the results of the two audits and the processes involved:

While this was a difficult process for all involved, it has provided us all with an important opportunity to make this a truly member-driven union. As your President, I take responsibility for the shortcomings of the Society and I commit to make the necessary changes to foster excellence in our union. These recommendations, endorsed by Council, are a blueprint for rejuvenation within the Society.

Council was called to consider two audits: one performed by Cristine and Associates, of Tiverton, Ontario last November and December, and a second commissioned by International Federation of Professional and Technical Engineers President Gregory Junemann. The second was carried out by Fazzari + Partners LLP, in association with SHS, Inc. The Fazzari firm concentrated on Society compliance with its financial accountability system—called the Management Control Framework (MCF)—while SHS focussed on the Society's governance structures.

The audit (and re-audit) process began last fall, when Society Council endorsed a call arising from the Bruce Power Local that the Society examine its decision-making and accountability structures before making big decisions about Society finances. The decisions the Local had in mind included

changes to the Collective Agreement Renewal Fund, an organizing policy, and disposition of moneys gained from the Society's ownership position in Bruce Power.

The Executive Board commissioned the Fazzari audit when deliberations around the Coristine audit revealed that there were procedural irregularities and problems with the accuracy of some of Coristine's findings. The Board decided that a qualified auditor recognized by the Canadian Labour Congress as having experience with trade unions would be preferable. The Coristine audit cost \$8,000. The Fazzari audit was originally projected to be in the order of \$40,000, but will end up costing about \$83,000, with the IFPTE covering at least \$25,000 of it.

Each audit uncovered problems that need to be addressed, including:

- ◆ Communication between the Executive Committee and Executive Board needs to be improved
- ◆ Decision-making, both at the Executive Board level and Local level, needs to be more effective
- ◆ Executive Board members need training
- ◆ Strategic and succession planning are lacking
- ◆ Financial management needs to be improved

The Fazzari report endorsed a Board recommendation that the Society establish a "a small but broadly based Board committee (from a variety of Local sites)," the duties of which will be to:

- ◆ Examine options for enforcing compliance to established limits of authority among the Executive Committee, the Executive Board, and Locals
- ◆ Review the effectiveness of the Local model (wherein members covered by a single collective agreement are in a single "local") and the servicing model (how local members' needs are met)

The Board has split the mandates above, and will assign them to two committees. In addition, the Board will:

- ◆ Establish a position of "Board Secretary," which person will be responsible for ensuring prompt produc-

tion and distribution of board agendas, minutes, and supporting documentation

- ◆ Pursue the expansion of the Executive Board, adding unit directors from locals with more than 400 members (see "Executive changes touted," *Newsblast* 2005:09)
- ◆ Pursue the expansion of the Executive Committee, adding three local Vice Presidents
- ◆ Develop a governance manual and training program for Board members
- ◆ Update the Society policy manual

Council's approval for the changes in the Executive Committee and Board means they will be put to the members in a referendum, with ballots to be sent by May 26th.

The audits also revealed weaknesses in the internal controls and accounting functions of the Management Control Framework (MCF). In some cases the auditors found that MCF requirements were so strict as to be impossible to implement, and so the MCF needs to be revised to eliminate them.

However, the auditors found that adherence to MCF provisions needed to be improved. For instance, when an expenditure of over \$7,000 is being made, the MCF requires at least three competing quotes be solicited, or that an explanation be filed. In some such cases, this requirement was apparently not complied with.

Finally, the auditors felt that the accounting system itself needed to be improved to ensure proper oversight.

The MCF will be revised to remove unnecessarily stringent procedures, and the following improvements will be or have been made:

- ◆ Members of the Executive Board will receive MCF training
- ◆ The Executive VP Finance has produced a workplan and budget preparation manual for the locals
- ◆ The accounting system will be reviewed
- ◆ The Board will monitor expenditures monthly



Society President Andrew Müller: accepted full responsibility

- ◆ The mandate and procedures of the internal audit committee will be reviewed
- ◆ The EVP Finance will review all expense claims except his own; the audit committee will review those of the EVP Finance

Council made changes of its own to the Board's recommendations on the internal Audit Committee, including:

- ◆ The Audit Committee will become a committee of Society Council, rather than a committee of the Executive Board
- ◆ Council will appoint a minimum of two Council representatives to the Audit Committee
- ◆ The Audit Committee will audit Society expenditures on a quarterly basis, and report violations of the MCF to Society Council
- ◆ The Audit Committee will retain a professional auditor to assist in formulating its terms of reference, and in overseeing the implementation of changes required to the MCF

Council also approved a timetable for implementing the changes (see sidebar, below).

April 22 nd , 2006	Society Council approves plan
May 2 nd , 2006	Executive Board retains independent expert
May 2 nd , ongoing	Expert works with Executive Board, Local committees, populates Governance Review and Local Review Committees, surveys members, sets actions and deadlines
September 6 th , 2006	Independent expert reports to Executive Board
September 6 th , 2006	Executive Board formulates recommendations for Society Council
October, 2006	Society Council considers necessary Constitutional, Bylaw changes
December, 2006	Membership referendum on any changes approved by Council

Council expresses confidence in Executive Committee

An attempt to request the resignations of the four Principal Officers was turned back by Society Council in its meeting of April 22nd.

While the Coristine and Fazzari audits were under discussion, Council representatives put forward a motion that, if passed, would have meant that Council had no confidence in the Society leaders involved.

While some Council Representatives agreed with the motion, others spoke of the Society's accomplishments over the past three years, not least of which was the Hydro One strike. OPGN delegate **Steve Schillaci** said:

We've accomplished quite a lot as a union under this leadership over the last few years. We've brought in an affiliation with the IFPTE ..., we've addressed the fragmentation of the energy companies in this province, and we're a long way from where we were in April seven years ago when Ontario Hydro ceased to exist. The leadership we currently have led us through a myriad of milestones. I think we owe them a debt of gratitude... There's no attempt to subvert the primary objectives of the Society here.

A secret ballot was conducted, and 55 per cent of Council representatives defeated the motion of non-confidence.

Recognizing the seriousness of the situation, President Müller thanked Council for the vote, and asked members on both sides of the issue to work with him to improve



OPG Fossil Council representative Dale Lane speaks, while OPGN's Dennis Minello and New Horizon's Joe Sarick wait their turns

the union. "This is a very serious matter, and I'm not going to dodge it; many [of you] have spoken of the fracture this can create ... and we need to work hard to bring those sides together."

Council approves "non-dues" income policy

The sticky matter of dealing with the Society's share of Bruce Power profits has been resolved.

Society Council voted on April 22nd to accept a policy on "non-dues" income which assigns the Bruce Power Local decision-making power for philanthropic purposes over an amount of twenty per cent of the "distributions," once more critical demands are met.

Non-dues income includes grievance settlements, the Training Fund, interest from investments, etc., including Bruce Power distributions. As of December 31st, the Society had received \$4.8 million from its Bruce Power investment.

Under the policy, non-dues income will be used for the following priorities, in the following order:

- ◆ Defined special programs exceeding dues revenue in a given year, such as a campaign, or force majeure
- ◆ Normal operating expenses to the extent of credited interest from the Operating Reserve
- ◆ Repayment of set-up and operating expenses (legal, tax, accounting, investment expense, etc.) required by the equity investment itself
- ◆ Twenty percent of Bruce Power Equity dividends designated for Bruce Power Local decision on philanthropic applications
- ◆ Bruce Power capital calls (should the Executive Board decide to meet them)
- ◆ Maintenance of the Operating Reserve above the Bylaw target (avoiding dues increases)

- ◆ Maintenance of the Collective Agreement Renewal (CAR) Fund above its minimum amount in preference of triggering the special dues levy
- ◆ Maintenance of the Training Fund
- ◆ Residually, establishment and replenishment of a Special Events Trust Account

Several Council representatives said they thought the CAR fund should take priority over Bruce Power philanthropy, but others felt there was enough money to fulfill both purposes.

Passage of the policy by Council answered a very important question for the Society.

Council steps in, passes Constitutional changes

Council has approved a number of changes to the Constitution.

Though it's not the usual mandate of Council to approve Constitutional changes, Council is *required* to make a decision when a membership referendum doesn't achieve quorum (33 per cent of eligible voters). In this case, Council sent the changes to a membership referendum last fall, and not enough members returned ballots to effect a vote, leaving the changes in limbo.

Among the most important of the amendments was a change in the term of office for unit directors to three years from the current two, and aligning those elections with elections of principal officers and Local VPs. Had the referendum passed, unit director elections would not have been conducted until 2007; the failure of the referendum meant elections had to be conducted for UDs in 2006.

Those elections are now underway.

For more details of the Constitutional changes, see *Newscast* 2005:05, page 4.

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Bruce Power Council Representatives Lorne Howcroft (l) and Rob Stanley

Council changes strike policy, but not number of Principal Officers

In other business, Society Council made an important change to the strike-pay policy, set an organizing policy, and decided not to change the Principal Officer structure.

In anticipation of last year's Hydro One strike, the Society initially set strike pay at \$250 per week. After the strike began, it was determined that the amount was insufficient, so it was changed to \$500 after the fourth week. Council approved a motion to apply that strike pay structure to all subsequent strikes as well.

When the current Society governance structure was formulated in 2002, forming the Society's current "Locals," the Society's then-Board of Directors was unsure whether three or four Principal Officers would be needed in the new structure. Written into the Society Bylaws (Bylaw 15) was a requirement that Council consider combining the

positions of Executive VP Policy and Executive VP Membership Services into one. This had to be by six months from the end of the EVPs' current terms of office, which is next March 31st.

The Executive Board recommended the two positions be retained, and Council voted to approve it.

Finally, Council approved an organizing policy that sets out the objectives and accountabilities for programs to "grow the Society."

Society Newscast 2006:01

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