

**U.S. Department of Labor**

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August 15, 2008

Mr. Del Soiney, President  
AUTO WORKERS AFL-CIO Local 241  
4415 Medina St.  
Duluth, MN 55807

LM File Number: 005-499  
Case Number: |||||

Dear Mr. Soiney:

This office has recently completed an audit of UAW Local 241 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, Secretary-Treasurer Eric Sparring, Sergeant-at-Arms Doug Anderson, and International Representative George Klingfus on July 17, 2008, 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.

The audit of Local 241's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 241 did not retain adequate documentation for many of the reimbursed expenses incurred by union officers. The majority of inadequately documented expenses were reimbursements to Sergeant-at-Arms Doug Anderson. Though Local 241 was able to provide vouchers and scanned copies of receipts to support much of the per diem, mileage, gas, and reimbursed hotel expenses incurred by Mr. Anderson, adequate documentation was not maintained for at least \$4,900 of expenses for which he was reimbursed.

For instance, vouchers were provided for checks |||||, |||||, and |||||, which detailed the amount of expenses paid to Mr. Anderson. However, no receipts were retained for any of the gas or hotel expenses paid by these checks. In addition, the voucher for check ||||| shows that the check included payment for five days of per diem, but the dates for which a per diem was claimed was not listed.

In addition, checks |||||, |||||, and ||||| paid to Mr. Anderson lacked both receipts and vouchers. The three checks total \$3,086.90. Check stubs indicate that check ||||| was for a "Legislative conference," and check ||||| was issued to, "Reimburse Pat Great House Stay." Meeting minutes suggest check ||||| was reimbursement to Mr. Anderson for expenses to attend a union meeting in Iowa from November 12 through November 16. However, no receipts or vouchers were maintained.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

## 2. Lost Wages

Local 241 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$6,750. 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 audit found that Local 241 maintained vouchers for most lost wage reimbursements. However, in most instances the vouchers merely listed a general purpose such as, "Grand Rapids," the total hours claimed, and the total amount of lost wages paid. The vouchers failed to include the dates that wages were lost, the wage rate claimed, or the union business conducted.

During the exit interview, we discussed the vouchers currently being used by UAW Local 241. The vouchers request enough information that, when properly filled out, would satisfy the above recordkeeping requirement.

## 3. Receipt Records

The majority of Local 241's receipts were individual dues check-off payments from six different employers. These receipts were recorded on a ledger titled, "Monthly Summary of Cash Received." Though the amount of each check was recorded on the ledger, the individual source of each amount and the date received was not recorded on the ledger or any other union record. Receipts records must include an adequate identification of all money received. The records should show the date and amount received, and the source of the money.

You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

### 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 241 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Disbursements to Officers

Local 241 overstated payments to you and officers Doug Johnson, Jay Jakubek, and Eric Sparring in the amounts reported Item 24 (All Officers and Disbursements to Officers) by a combined \$593.83. Conversely, Local 241 failed to include reimbursements to Doug Anderson totaling at least \$7,272.20 in the amounts reported in Item 24.

In addition, though you indicated during the exit interview that Rich Hurin and Chad Warring were considered officers of Local 241 by virtue of their position as trustees, their names and the total amounts of payments to them or on their behalf were excluded from Item 24 (All Officers and Disbursements to Officers). All persons who held office during the year must be reported in Item 24 regardless of whether they received any payments from the union.

Most direct disbursements to Local 241 officers and some indirect disbursements made on behalf of its officer 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).

## 2. Receipts

The amount reported in Item 44 (Total Receipts) is incorrect. According to the local's receipt record titled, "Monthly Summary of Cash Received," \$44,546.30 was received during 2007. In addition bank and other records suggest that \$44,041.22 was received and \$47,961.63 was deposited. However, \$48,426 was reported in Item 44, and union records do not explain any of these differences.

## 3. Disbursements

Local 241 incorrectly reported total disbursements of \$41,330 in Item 55 (Total Disbursements). Local 241 used check stubs and vouchers to record disbursement information, and Secretary-Treasurer Sparring confirmed that disbursement figures on the LM-3 report were calculated using check stubs and vouchers. Yet, according to these records, disbursements of \$57,943.92 were actually issued during 2007.

However, bank records suggest that many checks referenced on vouchers and check stubs may never have been mailed. Of the \$57,943.92 in total disbursements issued in 2007, bank statements indicate that \$24,642.77 in checks had yet to clear the bank as of February 29, 2008. Check stubs and vouchers show that the majority of those outstanding checks were affiliation fees and per capita tax payments to other organizations. More specifically, \$22,456.74 in outstanding checks were issued to the International Union for per capita taxes.

As discussed during the exit interview, documents acquired from UAW Region 4 International Auditor Bill Stephen confirmed that most of these checks issued by Local 241 in 2007 were never received by the international. Further, the international has yet to receive per capita tax payments for February through October 2007, though Secretary-Treasurer Sparring indicated the checks had been sent.

The LM-3 instructions require that disbursements be reported on the LM-3 report for the year that the money was actually paid out. Consequently, any payments that were never sent should not be included in the \$57,943.92 total disbursements figure listed above. In addition, any money due the international or any other entity at the end of the year must be reported as a liability in either Item 32 (Accounts Payable) or Item 35 (Other Liabilities).

4. Disbursement Categories

In addition to improperly reporting total disbursements, Local 241 failed to properly categorize disbursements. Though a review of disbursements records revealed that Local 241 had office and administrative expenses, paid taxes, and made at least one payment to a union employee, a stock car sponsorship, and another local for strike relief, all disbursements were included in the amounts reported in either an Item 45 (To Officers) or Item 47 (Per Capita Tax). These and other payments should have been reported in Item 46 (To Employees), Item 48 (Office and Administrative), Item 51 (Contributions, Gifts & Grants), or Item 54 (Other Disbursements).

5. Cash Balances

The cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. During the opening and exit interviews, Secretary-Treasurer Sparring confirmed that the beginning of year cash balances on the LM-3 report had been taken from the previous year's LM report. The instructions for Item 25 (Cash) state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements. A reconciliation of union bank accounts based on union check stubs, bank statements, check-off invoices, and deposit information acquired from the bank revealed that Local 241's beginning of year balance for 2007 should have been approximately \$13,209.99. Local 241 reported \$47,082 in Item 25 (a) (Cash Start of Reporting Period). In addition, the reconciliation revealed that had all of Local 241's outstanding checks cleared the bank, the local would have had a negative \$140.17 balance at the end of the year. Local 241 reported an end of year balance of \$54,178 in Item 25 (b) (Cash End of Reporting Period).

As previously discussed, Local 241 had significant sums of outstanding checks which may not have actually been issued during the year. If so, such checks should not be included in the total disbursements figure reported on the LM report and should not be deducted from the cash figures reported.

Local 241 must file an amended Form LM-3 for fiscal year ending December 31, 2007, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than September 4, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

Disbursements Journal

As previously mentioned, Local 241 used check stubs and vouchers to record disbursement information, and Secretary-Treasurer Sparring confirmed that disbursement figures on the LM-3 report were calculated using check stubs and vouchers. OLMS recommends that unions maintain a disbursements record that enables it to calculate amounts disbursed in the various categories required to be reported on the LM-3.

I want to extend my personal appreciation to UAW Local 241 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

cc: Eric Sparring, Secretary-Treasurer