

**U.S. Department of Labor**

Employment Standards Administration  
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February 14, 2005

Mr. Patrick Killeen, President  
Auto Workers, Local 125

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Re: 2

Dear Mr. Killeen:

This office has recently completed an audit of Auto Workers Local #125 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 Financial Secretary Stevens on February 3, 2005, 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.

Record Keeping

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, 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 recipients of the goods or services.

The following record keeping deficiencies were revealed during the audit of Local 125's 2003 records:

1. Union officers failed to retain adequate documentation for some reimbursed expenses. 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 paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded.

With respect to documentation retained in support of specific disbursements (including those in payment of credit card charges), the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary,

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showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a 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.

2. Some vouchers submitted by union personnel for lost wages do not identify the union business conducted that required lost wages be incurred. The lost wage claims must 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.

As agreed, provided that Local 125 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

#### Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-2) filed by Local 125 for fiscal year ending December 31, 2003 was deficient in the following areas:

1. Item 13 (Acquire any goods or property in any manner other than by purchase or dispose of any goods or property in any manner other than by sale) should have been answered "Yes" instead of "No." During the interview on February 3, Financial Secretary Stevens advised that Local 125 gives away various items to members every year. The type and value of any property received or given away must be identified in the additional information section of the LM report with the identity of the recipient(s) or donor of such property. In addition, for assets that were traded in, the cost, book value, and trade-in allowance must also be reported.
2. Local 125 failed to include some reimbursements to officers and employees in the amounts reported in Schedule 9 (All Officers and Disbursements to Officers) and Schedule 10 (Disbursements to Employees). Financial Secretary Stevens advised that such payments appear to have been erroneously reported in Schedules 13 (Office and Administrative Expenses) and Schedule 15 (Other Expenses).

Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 9 and 10 (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 9 and 10. However, indirect disbursements for business expenses incurred for transportation by a public carrier (such as an airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Schedule 13 (Office and Administrative Expenses). Any direct or indirect disbursements to union personnel for expenses not necessary for

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conducting union business must be reported in Column G of Schedules 9 and 10 (Other Disbursements).

3. Receipts of \$55,040 were improperly reported in Schedule 14 as "reimbursables." The LM-2 instructions for Schedule 14 stated that receipts reported in Schedule 14 "must be described in Column (A) and may be classified by general groupings or bookkeeping categories if the descriptions are sufficient to identify their source. The grouping "reimbursables" does not adequately identify the source of the income.

I am not requiring that Local 125 file an amended LM-2 report for 2003 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

#### Other Issues

##### Failure to File Bylaws

The CAP disclosed a violation of LMRDA section 201(a) which requires that unions submit a copy of their current constitution and bylaws with its LM report when bylaw changes are made. Local 125 amended its constitution and bylaws in 2000, but a copy of the constitution and bylaws was not filed with Local 125's LM-2 report for that year.

Two copies of Local 125's constitution and bylaws have now been filed.

##### Authorization of Salaries

During the audit, I advised you that authorization of the salary amounts paid to union officers could not be found in union records. I suggest that Local 125 take steps to record the authorized salary amounts by discussing them at a future meeting and recording them in meeting minutes or some other internal document. When the authorized salaries have been recorded in union records, I would appreciate it if you would forward a copy of the record documenting the authorization to me at the above address.

##### Salary Payments to Stevens Recorded as Lost Time

During the interview on February 3, you and Financial Secretary Stevens advised that Mr. Stevens salary is the equivalent of 20 hours of lost time per week and that the payments to him that are documented on lost time vouchers are salary, and not reimbursement for actual wages lost. In the future, I strongly suggest that the salary payments to Mr. Stevens be clearly identified in union records as salary. This could be accomplished through clear notations on the lost time vouchers to indicate that the claim is for salary and not reimbursement for actual wages lost, or through use of a different type of voucher not used for documenting lost time payments.

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I want to extend my personal appreciation to you and your entire staff for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

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\_\_\_\_\_  
Investigator

cc: Martin Stevens