

**U.S. Department of Labor**

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July 22, 2009

Ms. Allison Hug  
Auto Workers AFL-CIO  
Local 845  
8770 North Canton Center Road  
Canton, MI 48187

LM File Number: 066-502

Case Number: [REDACTED]

Dear Ms. Hug:

This office has recently completed an audit of Auto Workers Local 845 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-Treasurer Daniel Wilson on July 22, 2009, 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 845's 2008 records revealed the following recordkeeping violations:

1. Invoices, Bills, and Receipts

Local 845 did not retain an original invoice to support an \$80 union disbursement to a lawn care company. The union maintained a voucher, check stub, and cancelled check to explain the disbursement; however, the aforementioned records were not sufficient to verify, clarify, or explain 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. As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Disposition of Assets

During the audit period, Local 845 spent at least \$4,065 on tickets to a Firststep Charity Dance event and gift cards in varying amounts from Meijers, Red Lobster, Outback, and Best Buy which were given away to members at various meetings and union-sponsored social functions. The local failed to maintain adequate records to account for those assets. The detail of records required to be maintained for items given away is dependent upon the manner in which the property is distributed. In this case, the union can most easily satisfy the recordkeeping requirement by attaching a list of the names of individuals who receive the items. In the case of items frequently distributed, like t-shirts given away, the union can meet the recordkeeping requirement by maintaining an inventory record and requiring union personnel who distribute the items to record on the inventory record the date and quantity taken from supplies on hand.

3. Raffles

Local 845 did not record in its disbursements record the name of an individual who won a 50/50 raffle during a Local 845 social event. The local must maintain some type of record documenting the winner of the raffle and the amount of money disbursed to that individual. With respect to the sale of 50/50 raffle tickets at membership meetings, records must be maintained, at a minimum, that explain the number of tickets sold, the price of each ticket, and the amount of money collected. If individuals sell tickets between membership meetings, then records must be kept that identify the name of each person who sells tickets and the date and amount of

money that each person turns in to Local 845. Such records must show that the persons who sell tickets fully account for all of the tickets provided to them by returning any unsold tickets along with the money raised from sold tickets. All unsold tickets, and ticket stubs (if any), must be retained.

#### 4. Fixed Assets

Local 845 failed to maintain complete records for some of its fixed assets (e.g., office furniture and equipment). Such records are required to verify the accuracy and completeness of the information reported in Schedule 6 (Fixed Assets) of the union's Labor Organization Annual Report (Form LM-2). The union records failed to disclose the cost of various assets that the local possessed. Local 845 must maintain adequate records that support the cost (or other basis), accumulated depreciation (if any), book value, and fair market value of its fixed assets reported in Schedule 6.

Based on your assurance that Local 845 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(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when constitution or bylaw changes are made. Local 845 amended its constitution and bylaws in 2007, but a copy was not filed with its LM report for that year. A copy of Local 845's constitution and bylaws has now been filed with OLMS.

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-2) filed by Local 845 for the fiscal year ending December 31, 2008, 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?) was answered "Yes;" however, the local failed to report at least \$4,065 in gift cards and tickets to events that were given to the membership throughout the reporting period. The union 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. In the case of items frequently distributed, the union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories, if appropriate, such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

## 2. Receipts and Disbursements

The total receipts and disbursements reported in Items 44 and 55 (Total Receipts and Total Disbursements, respectively) do not match the total figures in the union's records. The local must accurately report total receipts and total disbursements on its LM-2 report. The local failed to report monies received and immediately disbursed in conjunction with 50/50 raffles it held at various union meetings and union-sponsored social events. Rather, the union "netted" the transactions by reporting only the balance of the transactions as receipts.

The instructions for Statement B (Receipts and Disbursements) of Form LM-2 state that the purpose of Statement B is to report the flow of cash in and out of a labor organization during the reporting period. Therefore, receipts must be recorded when money is actually received by the union and disbursements must be recorded when money is actually paid out by the union. Since Statement B reports all cash flowing in and out of the labor organization, "netting" is not permitted. "Netting" is the offsetting of receipts against disbursements and reporting only the balance (net) as either a receipt or disbursement.

## 3. Losses or Shortages

The audit disclosed that the union experienced a loss of assets in 2005 when various softball equipment was stolen from the local union. A review of the local's LM-2 for fiscal year ending December 31, 2005, disclosed that the union failed to report the loss in Item 13 (Losses or Shortages). Item 13 requires that the union Answer "Yes" to Item 13 if the union experienced a loss, shortage, or other discrepancy in its finances during the period covered by the report. A detailed description of the loss or shortage must be reported in Item 69 (Additional Information), including such information as the amount of the loss or shortage of funds or a description of the property that was lost, how it was lost, and to what extent, if any, there has been an agreement to make restitution or any recovery by means of repayment, fidelity bond, insurance, or other means.

I am not requiring that Local 845 file an amended LM report for 2008 to correct the deficient items, but Local 845 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

The audit disclosed the following other issue:

Meeting Minutes

The audit disclosed that monthly financial reports are read at every local union membership meeting. The local's meeting minutes reflected the reading of the financial reports; however, the minutes did not contain any detailed information (like account totals) or copies of the financial reports read at the meetings. Instead of keeping an official copy of the financial report with the meeting minutes, the financial secretary-treasurer maintained a separate book, which contained all past financial reports. Although the union fulfilled its recordkeeping requirement, there is no way to authenticate that the financial reports presented during the audit were identical to those presented to the membership at meetings. If the local union began keeping a copy of the report with the meeting minutes it would aid in authenticating the reports and strengthening the union's internal financial controls.

I want to extend my personal appreciation to Local 845 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 are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Daniel Wilson, Financial Secretary