



April 29, 2016

Mr. Daniel Manuel, President
Auto Workers Local 125
2515 Wabash Ave.
St. Paul, MN 55114

Case Number: 320-6006689 [REDACTED]
LM Number: 006748

Dear Mr. Manuel:

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 Financial Secretary John Kontzelmann on April 14, 2016, 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 125's 2014 records revealed the following recordkeeping violations:

1. Lack of Salary Authorization

Local 125 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. During the audit, Mr. Kontzelmann stated that at a union meeting in 2004, the financial secretary was authorized to receive a salary of six hours pay per week at the regular rate of pay that would be received from the officer's employer; however, a review of union meeting minutes from 2004 did not reveal any authorization for the financial secretary's salary in the meeting minutes. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

2. Reimbursed Auto Expenses

Union officers who received reimbursement for the business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$1,604.51 during 2014. For example, on October 2, 2014 you were reimbursed \$460.65 for mileage to the Fall Regional Conference. The union maintained a voucher for this reimbursement; however, the dates of travel and the locations traveled to and from were not recorded on the voucher. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. General Reimbursed Expenses

Local 125 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$1,497.19. For example, adequate supporting documentation was not retained for a \$275.80 reimbursement to you on January 30, 2014 for airfare to the National CAP Conference in Washington, DC. In support of this expense, Local 125 only retained a voucher, which is not sufficient.

As 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.

4. Failure to Retain Records for Funds Given Away

Local 125 did not maintain adequate supporting documentation for \$700 in cash door prizes that were given away at the retiree luncheon held in December 2014. In support of these cash prizes, the union maintained a list of attendees from the party, but the union failed to document who received the cash door prizes and the amount of money each person received.

It is not necessary to itemize every recipient of a cash prize in Item 56 (Additional Information) on the LM-3 report; however, the union must retain a record that identifies the name and amount of the cash prize disbursed to each person. These records are required to be retained to support payments reported on the LM-3 report.

Based on your assurance that Local 125 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 125 for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Unemployment Insurance Payments Reported as Benefits

Local 125 erroneously reported disbursements totaling \$1,094 for a workers compensation policy in Item 50 (Benefits). The Form LM-3 instructions for Item 50 state that all direct and indirect benefit disbursements made by your organization should be reported in Item 50. Direct benefit disbursements are those made to officers, employees, members, and their beneficiaries from your organization's funds. Indirect benefit disbursements are those made from your organization's funds to a separate and independent entity, such as a trust or insurance company, which in turn and under certain conditions will pay benefits to the covered individuals. An example of an indirect benefit disbursement is the premium on group life insurance. The disbursements for a workers compensation policy should be reported in Item 48 (Office and Administrative Expenses).

2. 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 door prizes totaling more at least \$700 during the year. 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. 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.

I am not requiring that Local 125 to file an amended LM report for 2014 to correct the deficient items, but Local 125 has agreed to properly report the deficient items on all future reports it files with OLMS.

Mr. Daniel Manuel

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I want to extend my personal appreciation to Auto Workers Local 125 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: Mr. John Kontzelmann, Financial Secretary