



September 16, 2011

Mr. Robert Coon, President
Auto Workers, AFL-CIO
Local 1774
PO Box 302
Dryden, NY 13053

Case Number: |||||
LM Number: 039118

Dear Mr. Coon:

This office has recently completed an audit of Auto Workers, AFL-CIO, Local 1774 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 Treasurer Joseph Bakos on August 8, 2011, 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.

Reporting Violation

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 1774 for the fiscal year ended December 31, 2010, was deficient in that:

1. Disbursements to Officers

Local 1774 incorrectly reported some disbursements to officers totaling at least \$852 in the amounts reported next to the officer's name in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously over reported these payments in Item 24 when the correct location to report these disbursements would be in either Item 48 (Office and Administrative Expense) or Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 1774 officers and some indirect disbursements made on behalf of its officers 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. Loans Made

During the reporting period it was discovered that Local 1774 made several “payroll advances” totaling more than \$250. Local 1774 incorrectly checked “No” in Item 18. Additionally the total amount loaned for the reporting period should be reported in Item 53. It appears that Local 1774 incorrectly reported these loans in Item 48 (Office and Administrative Expense) or Item 54 (Other Disbursements).

I am not requiring that Local 1774 file an amended LM report for 2010 to correct the deficient items, but Local 1774 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Auto Workers, AFL-CIO, Local 1774 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,

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Investigator

cc: Mr. Joseph Bakos, Treasurer
Mr. Gary DeLapp, Vice President