

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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February 19, 2010

Mr. Thomas Ewing, Financial Secretary
Auto Workers AFL-CIO
Local 1069
1000 East Fourth Street
Crum Lynne, PA 19022

LM File Number 009-586
Case Number: [REDACTED]

Dear Mr. Ewing:

This office has recently completed an audit of Auto Workers Local 1069 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 President Anthony Forte, Recording Secretary Art Myers, and you on February 4, 2010, 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 1069's 2009 records revealed the following recordkeeping violations:

1. Failure to Maintain Adequate Supporting Documentation

Although Local 1069 retained the majority of supporting documentation for disbursements, Local 1069 did not retain adequate documentation for disbursements totaling at least \$53,717.79. Of this amount, \$49,139.57 was paid to the Hyatt Regency Hotel in Philadelphia, Pennsylvania for negotiation expenses.

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 Property

Local 1069 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28.

Although the union maintained records, such as duplicate receipts, indicating the date and amount received for the sale of T-shirts, the union must maintain an inventory list of such items to ensure all assets are accounted for.

3. Failure to Maintain Adequate Receipts Regarding Hall Rentals

Local 1069 did not maintain adequate documentation regarding hall rental receipts. I was advised during the audit that it is at the discretion of President Forte to reduce the hall rental rate to members who may have financial hardships. The union's hall rental contract indicates a specific rate to members/non members for the union hall rental. The union must maintain a document, such as meeting minutes, that indicate any alteration of the fixed price.

4. Lack of Salary Authorization

Local 1069 did not maintain records to verify that the salary and bonus amount issued to Office Manager Nicole Heffernan during fiscal year ending December 31, 2009 was an authorized amount approved by the local's executive board. 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.

As agreed, Local 1069 will file a copy of its executive board meeting minutes that indicate salary and bonus approval with OLMS as soon as possible but not later than February 28, 2010.

Based on your assurance that Local 1069 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-2) for fiscal year ending December 31, 2009 is due March 31, 2010. To ensure Local 1069 accurately completes Form LM-2 for fiscal year ending December 31, 2009, the following deficiencies are based on Form LM-2 filed by Local 1069 for fiscal year ending December 31, 2008:

1. Delinquent Filing

Form LM-2 must be filed within 90 days after the end of your labor organization's fiscal year (12-month reporting period). Local 1069's 2008 fiscal year ended

December 31, 2008; therefore Form LM-2 should have been filed no later than March 31, 2009. Local 1069 filed Form LM-2 on June 9, 2009.

2. Failure to File Bylaws

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 it makes changes to its constitution or bylaws. Local 1069 amended its constitution and bylaws in 2004, but did not file a copy with its LM report for that year.

Local 1069 has now filed a copy of its constitution and bylaws.

3. Disbursements to Officers and Employees

Local 1069 did not include some reimbursements to officers and employees / payments to officers and employees totaling at least \$7,285 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

4. Failure to Properly Itemize Disbursements or Receipts

Local 1069 did not properly report several "major" transaction(s) in Schedule(s) 14-19. A "major" transaction includes any individual transaction of \$5,000 or more

or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. For example, in Schedule 18 (General Overhead), Local 1069 lists various general overhead expenses such as office supplies and administrative/office maintenance, but payees including MVP Sports and LLB Group, who received over \$5,000 were not itemized.

I am not requiring that Local 1069 file an amended LM report for 2008 to correct the deficient items, but Local 1069 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Use of Signature Stamp

During the audit, you advised that it is Local 1069's practice for two of four signatories to sign all union checks. You indicated that during the fiscal year ending December 31, 2009, you used a signature stamp to sign your own name to union checks. In order to ensure that you are the only individual to sign your name to union checks, it is recommended that signature stamps are not used.

The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1069 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Auto Workers Local 1069 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,



Mr. Thomas Ewing
February 19, 2010
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Investigator

cc: Anthony Forte, President