

U.S. Department of Labor

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September 29, 2008

Mr. Chuck Bruce, President
Auto Workers, AFL-CIO
Local 163
450 South Merriman Road
Westland, MI 48186

Re: Case Number [REDACTED]
LM File Number: 004-693

Dear Mr. Bruce:

This office has recently completed an audit of Auto Workers Local 163 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, Vice President Danny Pelasier, Financial Secretary Colleen Lynch, and Bookkeeper Cathy Keating on July 30, 2008, 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 Violation

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 163's 2007 records revealed the following recordkeeping violation:

Raffle Tickets

Local 163 did not maintain complete records of the sale of at least \$11,543 of picnic raffle tickets. Tickets were distributed to elected and appointed officials to sell at the plants and at the picnic. The union properly issued duplicate receipts identifying who turned in money to Local 163 and the date and amount of money collected, but failed to keep any records explaining who sold the tickets, the number of tickets sold, and the price of each ticket. Ticket sales records must contain this information and be sufficient to 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. With respect to the distribution of raffle prizes, Local 163 can most easily satisfy the recordkeeping requirement by preparing a list of the names of individuals who receive them.

Based on your assurance that Local 163 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 it makes changes to its constitution or bylaws. Local 163 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year. Local 163 has now filed a copy of its constitution and bylaws.

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 163 for fiscal years ending December 31, 2006 and 2007, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 163 did not properly report salaries and some reimbursements to then-President [REDACTED] and Ms. Keating in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). The union must report in Column E of Schedules 11 and 12 (Gross Salary Disbursements) the gross salary disbursements to officers or employees including disbursements for "lost time" or time devoted to union activities. 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.

2. Fixed Assets

Local 163 did not properly report the total cost of capital improvements in Schedule 4 (Purchase of Investments and Fixed Assets) of the 2006 LM-2 report. The union paid \$436,916 to remodel its building and to purchase a new roof, parking lot, and fencing. The union incorrectly reported the total cost as \$0 in Column (B), instead of \$436,916. To properly report the purchase of fixed assets, you must enter a general description of the fixed assets purchased in Column (A), the total cost (including transaction costs) of the fixed assets in Column (B), the value of the fixed assets as entered in the union's books in Column (C), and the total amount disbursed for the fixed assets in Column (D). This information is required for all fixed assets (e.g., land, buildings, automobiles and other vehicles, office furniture and equipment) purchased by the union in any given reporting period.

3. Equity Loans and Mortgages Payable

The union under-reported the outstanding balances on an equity loan and a mortgage by \$17,022 in Item 32 (Mortgages Payable) of the 2007 LM-2 report. Unions must report the total amount of their obligations that are secured by

mortgages or similar liens on real property (land or buildings) at the start and end of the reporting period in Columns (C) and (D), respectively.

4. Total Receipts and Disbursements

The total receipts and disbursements reported in Items 49 and 68 (Total Receipts and Total Disbursements, respectively) of the 2007 LM-2 report 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 instructions for Statement B (Receipts and Disbursements) of Form LM-2 state that 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. Transfers between separate bank accounts or between special funds of your organization, such as vacation or strike funds, do not represent the flow of cash in and out of your organization. Therefore, these transfers should not be reported as receipts and disbursements of your organization.

I am not requiring that Local 163 file amended LM reports for 2006 and 2007 to correct the deficient items, but Local 163 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Local 163 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: Danny Pelasier, Vice President
Colleen Lynch, Financial Secretary