

U.S. Department of Labor

Office of Labor-Management Standards
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October 29, 2009

Mr. Kenneth Lambert, President
Auto Workers AFL-CIO
Local 2280
45116 Cass Ave.
Utica, MI 48317

LM File Number 512-315
Case Number: [REDACTED]

Dear Mr. Lambert:

This office has recently completed an audit of United Auto Workers Local 2280 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, Local 2280 Financial Secretary William Redd, and Administrative Assistant Katy Sondergaard 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 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 2280's 2008 records revealed the following recordkeeping violation:

Lost Wages

Local 2280 did not retain adequate documentation for lost wage reimbursement payments to union officers in at least six instances. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 2280 officers did not always identify on the lost wage vouchers the union business conducted.

Based on your assurance that Local 2280 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) filed by Local 2280 for the fiscal year ending December 31, 2008, was deficient in the following areas:

1. Sale of Supplies

Local 2280 did not correctly report disbursements for supplies for resale. The audit revealed that during 2008, Local 2280 disbursed at least \$1,400 for t-shirts that it re-sold to members. The LM-2 instructions require that the union report disbursements for supplies for resale in Item 59 (Supplies for Resale). Local 2280 reported \$0 in Item 59.

In addition, Local 2280 must report the value of any supplies for resale on hand at the beginning and end of the year in Item 28 and Schedule 7 (Other Assets). The audit revealed that Local 2280 neither reported the total value of its hats and t-shirts nor maintained an inventory. 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 and Schedule 7.

2. Disbursements to Officers

Local 2280 erroneously reported profit-sharing payments to union officers in Column (E) (Allowances Disbursed) of Schedule 11 (All Officers and Disbursements to Officers). The payments should have been reported instead in Column (D) (Gross Salary).

Local 2280 must report in Column (D) of Schedule 11 the gross salary of each officer (before tax withholdings and other payroll deductions), including disbursements for "lost time" or time devoted to union activities. The total allowances made by direct and indirect disbursements to each officer on a daily, weekly, monthly, or other periodic basis must be reported in Column (E). The union must report in Column (F) 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) indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union may 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 (room rent charges only) while traveling on union business. The union must report in Column (G) any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

3. Total Receipts

The total receipts figure reported in Item 49 (Total Receipts) of the 2008 LM-2 report does not match the total figure in the union records. The local must accurately report total receipts 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 labor organization and disbursements must be recorded when money is actually paid out by the labor organization. Transfers between separate bank accounts or between special funds or 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.

4. Failure to Itemize "Major" Disbursement

Local 2280 failed to report a "major" transaction. 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. The audit found that Local 2280 did not report a total disbursement of \$5,295.38 to Xerox in Schedule 18 (General Overhead).

5. Misclassification of Receipts and Disbursements

Local 2280 incorrectly reported monies received from Utica Pump in Item 42 (Rents). During the exit interview, you confirmed that the payments received from Utica Pump are not rent. You stated that Utica Pump reimbursed Local 2280 for the cost of a shared dumpster. The payments totaling \$2,805 should be reported in Line 3 of Summary Schedule 14 (Other Receipts). This amount will be part of the total that the software will carry over to Item 48 (Other Receipts).

Local 2280 erroneously reported several disbursements. Scholarship payments totaling \$3,500 were reported in Schedule 20 (Benefits) and disbursements to MJR Theaters and Pine Valley Golf Club were reported in Schedule 15 (Representational Activities). They should have been reported in Schedule 17 and Item 52 (Contributions, Gifts, and Grants). Local 2280 reported disbursements to Rockman & Son Publishing in Schedule 15 (Representational Activities); it should have been reported in Schedule (19 Union Administration).

I am not requiring that Local 2280 file an amended LM report for 2008 to correct the deficient items, but Local 2280 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to United Auto Workers Local 2280 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,

, Criminal Investigator

Mr. Lambert
October 29, 2009
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cc: William Redd, Financial Secretary