

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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January 17, 2007

Ms. Doris Morgan, Financial Secretary
Auto Workers AFL-CIO
Local 246
10802 Beaconsfield
Detroit, Michigan 48226

Re: Case Number: [REDACTED]

Dear Ms. Morgan:

This office has recently completed an audit of UAW Local 246 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 and UAW Local 246 President Anthony White on September 8, 2006, 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

The CAP, which covered the fiscal year ending December 31, 2005, disclosed several recordkeeping violations of Title II of the LMRDA. Section 206 requires, among other things, that the president and treasurer or corresponding principal officers of each labor organization 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, all records used or received in the course of union business must be retained.

This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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. The date, amount, and business purpose of every expense must be recorded in at least one union record.

The recordkeeping requirement for disbursements can be most easily satisfied with a sufficiently descriptive bill, invoice, receipt, etc., that identifies the vendor's name and address, the date and amount of the transaction, and the goods or services provided. If a receipt is not sufficiently descriptive, then the union should note the missing information on the receipt. If the business purpose of the disbursement or the identity of the recipient(s) of the goods or services is not self-evident, then the union must note such information on the receipt or some other record. If a receipt is not provided by a vendor, then the union must create a record containing the above information with a notation that original documentation was not provided. The only exception to this policy is for expenses generated by the union (e.g., salary, lost time, etc.) which, nonetheless, must be supported by some other type of documentation (e.g. lost time vouchers, payroll records, executive board and membership authorizations and/or approvals, etc.).

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit revealed the following recordkeeping violations:

Receipts

Local 246 failed to record in its books and records the actual dates that monies were received. I recommend that the union mark the dates on UAW-prescribed Official Receipts and on Form A-110 (Daily Cash Received Record).

In addition, Local 246 failed to record on Form A-110 a \$91.44 reimbursed dues payment made by the UAW on behalf of ██████████ on or about November 6, 2005. Incomplete or erroneous recording of income could result in the inaccurate reporting of receipts on the union's annual financial report that it files with this agency.

Officer Expenses and Allowances

Union officers failed to maintain adequate documentation for the single reimbursed expense that occurred during the fiscal year. The \$50 check issued to Mr. White to reimburse him for expenses incurred during a union-related lunch was not supported by a voucher signed by the president and recording secretary, as required under UAW rules. In addition, bills, receipts, or invoices were not maintained for the expenditure. Where meal expenses are incurred, the names of individuals present and the names and locations of restaurants must be recorded.

Local 246's bylaws provide for the payment of the union's telephone bill and long distance calls. Based on the age of the bylaws, it is presumed that this refers to the union's landline telephone service. During the audit, your organization was unable to provide any documents reflecting authorization to pay a \$34.50 monthly cell phone allowance to the president. In addition, the union did not maintain any cell phone bills.

Such expense allowance payments may have been authorized or approved at past membership or executive board meetings, but the union's failure to keep detailed meeting minutes that document properly obtained authorization or approval of these payments prevented verification of their legitimacy. In addition, such failure would appear to contradict the UAW's policy — delineated in the UAW Administrative Letter dated May 30, 2002 — that requires that all forms of compensation paid by a local union must be specified in the local union bylaws. You agreed to ensure that there is a full understanding, either by the inclusion in the union's constitution and bylaws or in the form of membership or executive board authorizations recorded in meeting minutes, about the level of salary, allowances, and expenses (if any) to which the union's officers, employees, and members are entitled. I would appreciate it if you would send me copies of the relevant sections of your constitution and bylaws or meeting minutes that reflect authorization of the president's cell phone allowance and of your union's other current levels of compensation.

Lost Time

The audit revealed that Local 246 failed to maintain all "Wages, Lost Time and Expense Vouchers (UAW Form A-136). Specifically, a voucher supporting the payment of lost time to Linda Thompson for election duties she performed on June 30, 2005, was unable to be located during the audit. At a minimum, lost time vouchers must indicate the date(s) when lost time was incurred; the specific times and number of hours claimed; the wage rate per hour claimed; and the reason or purpose for incurring lost time. "Union business" or "miscellaneous" are insufficient descriptions and not acceptable under Title II of the LMRDA.

Conclusion/Recordkeeping Violations

Adequate records were not maintained for all financial transactions involving UAW Local 246, in violation of Section 206 of the LMRDA. Contemporaneous, accurate, and complete records necessary to permit verification of the information required on your union's annual financial report must be preserved and kept available for examination for not less than five years after the report is filed.

The proper maintenance of union records is the personal responsibility of a union's president and treasurer. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can also result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person, not just the individuals who are responsible for filing the union's annual financial report.

You agreed that, in the future, Local 246 will maintain adequate documentation as discussed above. Therefore, no additional enforcement action will be taken regarding these violations at this time.

Reporting Violations

The CAP disclosed violations of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations within 90 days after the end of their fiscal year. Local 246 failed to file its Labor Organization Annual Report (Form LM-3) for the fiscal year ending December 31, 2005, within this time frame. In addition, the Form LM-3 filed by Local 246 on July 24, 2006, was deficient in the following areas (it should be noted that the audit conducted was not intended to identify all possible reporting violations):

- The union's six-digit file number was improperly reported as 021-553. The correct file number is 012-553.
- Ms. Morgan's gross salary was underreported by \$148 in Column (D) (Gross Salary) of Item 24 (All Officers and Disbursements to Officers) because it does not include all disbursements made to her during the reporting period for "lost time."
- The amount listed for Mr. White in Column (E) (Allowances and Other Disbursements) of Item 24 was underreported by \$50 because it does not include a reimbursement made to him for lunch expenses. With few exceptions, all direct and indirect disbursements to officers must be reported 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. An "indirect

disbursement" to an officer is a payment to another party (including credit card companies) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (room rent charges only) or for transportation by a public carrier (such as an airline) for an officer traveling on official union business may be reported in Office and Administrative Expense (Item 48).

- The union erroneously reported that it did not have a bond to protect its funds and assets from losses caused by improper uses.

Conclusion/Reporting Violations

Like the proper maintenance of union records, the timely filing of a union's accurate and complete annual financial report is the personal responsibility of a union's president and treasurer or corresponding principal officers. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to file reports can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(b) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, the knowing falsification of a union's annual financial report, or the omission of material facts therefrom, can also result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(b) and Section 3571 of Title 18 apply to any person, not just the individuals who are responsible for filing the union's annual financial report.


At the exit interview and on December 19, 2006, you submitted amended Forms LM-3 for the fiscal year ending December 31, 2005, that corrected most of the deficiencies discussed with you at the exit interview and during subsequent telephone calls with Investigator [REDACTED]. In addition, you agreed to properly report the deficient items on all future reports filed with this agency. Therefore, no additional enforcement action will be taken regarding these violations at this time.

I want to extend my personal appreciation to UAW Local 246 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,

Ms. Doris Morgan
January 17, 2007
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Ian Burg, District Director


Investigator

cc: Anthony White, President