

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
St. Louis District Office
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October 20, 2008

Ms. Crystal Ellis, Financial Secretary
Auto Workers Local 543
203 NW 10th Street
Fairfield, IL 62837

LM File Number 003-086
Case Number: [REDACTED]

Dear Ms. Ellis:

This office has recently completed an audit of Auto Workers Local 543 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 on October 15, 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 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 543's 2007 records revealed the following recordkeeping violations:

1. Failure To Retain Adequate Documentation

Local 543 did not retain adequate documentation for disbursements totaling at least \$640. For example, a check was written to the Holiday Inn on April 9, 2007 for \$233.10. The disbursements journal states that the hotel stay was for the Veteran's Conference. The local did not retain a bill or invoice for this disbursement.

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. Lost Wages

Local 543 did not retain adequate documentation for lost-wage reimbursement payments to union officers and employees. 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 at least thirteen lost-time claims did not provide a description of the union business conducted.

3. Disposition of Property

Local 543 did not maintain an inventory of t-shirts it purchased, sold, or gave away. Also, Local 543 maintains a vending machine. No effort was made to record the purchase of soda to fill the machine or money collected from the machine. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. 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 30.

4. Information not Recorded in Meeting Minutes

Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings. Article 4 of the local's bylaws states that membership is the highest authority of the local and that the executive board may not take action affecting the vital interest of the local without prior membership approval. During the audit year, two certificates of deposit were cashed out and transferred to the general fund checking account. A \$50,000 certificate was cashed out in March, and a certificate for \$27,954 was cashed out in May. However, the only reference to cashing out a certificate of deposit appeared in a special executive board meeting held in June. At this meeting, the executive board approved a motion to cash out a certificate and transfer the money to the general fund to help pay the bills and wages. No other reference to cashing out certificates of deposit could be located in any membership or executive board meeting minutes.

Based on your assurance that Local 543 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issue

Duplicate Receipts

Duplicate receipts are written for all monies received by Local 543; however, a duplicate receipt is not given to the payee unless a copy is requested. OLMS recommends that Local 543 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to you for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this

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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,



Investigator

cc: Johnnie Simpson, President