



October 27, 2022

Mr. Derek Cronin, President  
Auto Workers Local 440  
1411 H Street  
Bedford, IN 47421

Case Number: 350-6025154( )  
LM Number: 019-456

*SENT VIA ELECTRONIC MAIL TO [REDACTED], [REDACTED], and [REDACTED]*

Dear Mr. Cronin:

This office has recently completed an audit of Auto Workers Local 440 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 Financial-Secretary Aundrea Dant on October 25, 2022, 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 440's 2021 records revealed the following recordkeeping violations:

1. General Expenses

Local 440 did not retain adequate documentation for all expenses. For example, on May 17, 2021, the union made a disbursement of \$1,001.26 to ADT Security Services and there was no corresponding documentation.

As 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. Meal Expenses

Local 440 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$187.17. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 440's records of meal expenses must include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, itemized receipts were not retained for \$187.17 in meal expenses incurred by you at the Gordon Ramsay Pub and Grill in Atlantic City, New Jersey on September 26 and 27, 2021. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all personas who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

## 3. Disposition of Property

Local 440 did not maintain an inventory of scarves, t-shirts, sweatshirts, and gift cards purchased. The union must report the value of any assets on hand at the beginning and end of each year in Item 27 (Fixed Assets) and Item 28 of the LM-2 (Other Assets). Therefore, Local 440 must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Statement A. In addition, the union must maintain a record of property purchased, sold, donated, or otherwise disposed of and also report that information on the LM-2 in the appropriate items. In the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

## 4. Lost Wages

Local 440 did not retain adequate documentation for lost wage reimbursement payments to officers and members. 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 440 did not always maintain the required records.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 440 may use to satisfy this requirement. The sample identifies the type of information and documentation that the union must maintain for lost wages and other officer expenses.

5. Receipt & Disbursement Dates not Recorded

Local 440 did not always maintain receipt records reflecting the date the union deposited money and the date money was received. For example, Local 440 received monies from the sale of t-shirts/sweatshirts and those monies were not deposited on the dates the union received the funds. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The LM-2 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Local 440 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 440 for the fiscal year ended December 31, 2021, was deficient in the following areas:

1. Failure to Itemize Disbursement

Local 440 did not properly report a “major” transaction(s) in Schedule 18-General Overhead. 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 union cannot properly report elsewhere in Statement B. The audit found the union made three payments totaling \$6,988.00 to the Union Insurance Group, which were not properly reported.

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 440 amended its bylaws in 2015, but did not file a copy with its LM report for that year.

As agreed, Local 440 will file a copy of its current bylaws with OLMS as soon as possible but not later than November 25, 2022.

I am not requiring that Local 440 file an amended LM report for 2021 to correct the deficient items, but Local 440 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issues

The audit disclosed the following other issues:

1. Credit Card Expense Policy

The audit revealed Local 440 does not have a policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union debit cards. Ms. Dant informed OLMS that personal charges cannot be made on the debit card, but this policy is not in writing. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Lost Time Policy

As I discussed during the exit interview with you, the audit revealed Local 440 does not have a clear policy regarding lost time. Local 440's lost time policy failed to address the rate of pay, authorization procedures, and required documents that must be submitted for a lost time claim. OLMS recommends that unions adopt written guidelines concerning such matters.


3. Officer Reimbursements

The audit revealed Local 440 reimbursed you \$187.17 for meal charges at Gordon Ramsay Pub and Grill in Atlantic City, New Jersey on September 26 and 27, 2021 when you also claimed per diem. You explained that there was an error made when the expense voucher was completed, and you were not authorized to receive the reimbursement.

As agreed, you will reimburse Local 440 the \$187.17 as soon as possible, but not later than November 25, 2022.

I want to extend my personal appreciation to Auto Workers Local 440 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,

  
Investigator

cc: Ms. Aundrea Dant, Financial-Secretary  
Ms. Lu Ann Nicholson, Bookkeeper