



June 13, 2023

Mr. Christopher Dixon, Secretary Treasurer
SMART-TD Local 878
1001 Natalie Court
Allen, TX 75013

Case Number: 420-6026208()
LM Number: 007110

Dear Mr. Dixon:

This office has recently completed an audit of SMART Local 878 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 President Gregory Wilson on June 7, 2023, 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 878's 2022 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 878 did not retain adequate supporting documentation for reimbursed expenses for office supplies incurred by union officers at least \$765.87. The local also had no supporting documentation for disbursements to Local Chairman William McFadden. Checks written to Mc Fadden included amounts for mileage, lost time, and for other reimbursements such as hotel. Due to the lack of supporting documentation OLMS was unable to segregate the type of reimbursement and their amounts for reporting purposes.

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. Lost Wages

Local 878 did not retain adequate documentation for lost wage reimbursement payments to Local Chairman William McFadden. 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 878 paid Local Chairman William McFadden lost time and reimbursements as a net total, and the union had no supporting documentation to verify the gross lost time amounts or separate reimbursements for mileage and office supplies.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, which contained a sample of an expense voucher Local 878 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

3. Lack of Salary Authorizations

Local 878 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. During the audit period, officers received a monthly salary of \$314.00. However, Section III-Salaries authorized the local president and secretary treasurer a monthly salary of \$277.88. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 878's LM report. 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 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 who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 LM-3 filed by Local 878 for the fiscal year ended December 31, 2022, was deficient in the following areas:

1. Office and Administrative Expenses/Other Disbursements

The local reported inaccurate amounts in Item 48 (Office and Administrative Expenses) and Item 54 (Other Disbursements). The accurate amount for Item 48 should have been \$749.48 for meals purchased at membership meetings. Item 54 should have been \$5,824.71 for dues refunds to members and taxes.

2. Disbursements to Officers

Local 878 failed to report reimbursements for the purchase of office supplies to officers, \$45.04 paid to President Greg Wilson and \$79.00 to Secretary Treasurer Christopher Dixon, in Item 24 (All Officers and Disbursements to Officers) Column E (Allowances and Other Disbursements) on the LM-3. In addition, disbursements to Local Chairman William McFadden for lost time and reimbursements were paid as a net total, and the union had no supporting documentation to verify the gross payment amounts or separate reimbursements for mileage and office supplies in order to properly report the payments.

The union must report most direct disbursements to Local 878 officers and some indirect disbursements made on behalf of its officers 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. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

3. 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 878 amended its constitution and bylaws in 2019 but did not file a copy with its LM report for that year.

Local 878 must file an amended Form LM-3 for the fiscal year ended December 31, 2022, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-3 must be filed no later than June 28, 2023. Before filing, review the report thoroughly to be sure it is complete and accurate.

I want to extend my personal appreciation to SMART Local 878 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: Mr. Gregory Wilson, President
Mr. Perry Coy, Vice President
Mr. William McFadden, Local Chairman