



November 22, 2016

Cathy Rayner, President  
United Auto Workers, Local 7770  
150 Admiral Kalbfus Road  
Newport, RI 02840-1308

Case Number: 110-6002373  
LM Number: 542659

Dear Cathy Rayner:

This office has recently completed an audit of United Auto Workers, Local 7770 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 27, 2016, 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 7770's 2013 records revealed the following recordkeeping violations:

#### 1. General Reimbursed and Credit Card Expenses

Local 7770 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by Cathy Rayner totaling at least \$4,808.09, due to missing Disbursement Vouchers. For example, during the audit opening interview, you indicated

that union disbursements should be authorized by the executive board and that a voucher should be signed by Secretary, Nancy Cordeiro and Cathy Rayner. Records review indicated that disbursement vouchers were completed for some disbursements, but others were recorded by email communications between Ms. Rayner and Ms. Cordeiro.

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 7770 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, on February 13, 14 and 15, 2013, Local 7770 incurred expenses at the Newport Grand Restaurant in the amounts of \$70.71, \$48.33, and \$73.35. While receipts were kept and attached to a Disbursement Voucher, the exact union business done at the meals, and the names and titles of those in attendance were not notated. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

Based on your assurance that Local 7770 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 LM-3 filed by Local 7770 for the fiscal year ended December 31, 2013, was deficient in the following areas:

#### 1. Disbursements to Officers

Local 7770 did not include some reimbursements and payments to officers totaling at least \$4,740.71 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54.

The union must report most direct disbursements to Local 7770 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).

I am not requiring that Local 7770 file an amended LM report for 2013 to correct the deficient items, but Local 7770 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. Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 7770 does not have a clear policy regarding the types of expenses officers and members may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

##### 2. Financial Safeguards

As I discussed during the exit interview, the audit revealed that Local 7770 does not have a clear written policy on financial safeguards. During the exit interview, I provided you with a copy of the OLMS Compliance Tip--Internal Financial Controls. OLMS strongly recommends that the local put together a written financial policy, with proper financial safeguards. An example would be a written policy requiring all expenses to be documented and approved with an official disbursement voucher form to be signed by two executive board officers, which would allow both cosigners for the union checks to know the purpose and legitimacy of each transaction.

I want to extend my personal appreciation to United Auto Workers, Local 7770 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: Nancy Cordeiro, Financial Secretary-Treasurer