



February 27, 2017

Mr. David Barnhart, Financial Secretary
United Auto Workers Local 31
500 Kindelberger Road
Kansas City, KS 66115

Case Number: 510-6009836 [REDACTED]
LM Number: 040140

Dear Mr. Barnhart:

This office has recently completed an audit of United Auto Workers Local 31 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 Vicki Hale on February 13, 2017, 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 31's 2015 records revealed the following recordkeeping violations:

1. General Reimbursed and Travel Expenses

Local 31 did not retain adequate documentation for reimbursed expenses and travel expenses incurred by union officers/employees totaling at least \$11,000. For example, the

union did not retain hotel receipts for the 16 officers and employees who traveled to Palm Springs, California in January 2015.

The local also did not maintain adequate documentation for \$1,600 reimbursed to members for basketball league expenses and an Easter egg hunt.

There were also bank statements missing for three of the certificates of deposit held by the local during the year examined.

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. You agreed to maintain these records in the future.

2. Disposition of Property

Local 31 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2 (Other Assets). 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 28.

The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items. You agreed to keep an inventory of these items in the future.

3. Failure to Record Receipts

Local 31 did not adequately record in its receipts records money collected for raffle ticket sales, t-shirt sales, and other miscellaneous collections held throughout the audit year totaling at least \$32,000. For example, a \$4,000 deposit was recorded in the records on July 17, 2015 for "CAP Committee cruise drive gun raffle." Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money. One general notation is not an adequate explanation for where the funds came from. Information such as how many tickets were sold, how much was collected per ticket, etc. is necessary to verify the amount of the deposit. You agreed to record this information in the future.

4. Receipt Dates not Recorded

Entries in Local 31's receipts ledger reflect the date the union deposited money, but not the date money was received. For example, when the union receives a payment, such as an entry to play in the union sponsored charity golf tournament, the receipt records should reflect the date that individual payment was received and not combined into a lump sum when all the funds are deposited at a different date. Also, interest earned on certificates of

deposit held by the local should be recorded the date the interest is received. 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 Form LM-2. The Form 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. We discussed this and you agreed to keep more accurate receipt records in the future.

Based on your assurance that Local 31 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 31 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 31 did not include some indirect disbursements for cell phone payments to officers and employees totaling at least \$1,000 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card or cell phone company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business. We discussed this and you have agreed to properly report these payments on future reports.

2. Sale of Supplies

Local 31 did not correctly report receipts from the sale of supplies or disbursements for supplies for resale. The audit revealed that during 2015, Local 31 disbursed funds for items that it re-sold to members, collecting receipts totaling at least \$4,900. The Form LM-

2 instructions require that the union report receipts from the sale of supplies in Item 39 (Sale of Supplies) and disbursements for supplies for resale in Item 59 (Supplies for Resale). In addition, it must report the value of any supplies for resale on hand at the beginning and end of the year in Item 28 and Schedule 7 (Other Assets). At the exit interview you agreed to properly report this on future reports.

I am not requiring that Local 31 file an amended LM report for 2015 to correct the deficient items, but Local 31 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

During the audit it was noted that the UAW constitution and bylaws provides that a full time officer, such as Local 31's financial secretary position, is entitled to receive pay and bonuses that they would have been entitled to receive had they still been working in their original position with the employer. However, it appears that while an employee is on a formal leave of absence (which includes full time union officers) they are still eligible to receive the annual profit sharing payout from the employer. If the employer pays profit sharing to the union officer then they should not also receive a profit sharing payment from the union as well as this would be considered a duplicate payment.

I want to extend my personal appreciation to United Auto Workers Local 31 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. Vicki Hale, President