



April 23, 2018

Mr. Jessie Wilson, President  
Auto Workers, AFL-CIO  
Local 375  
P.O. Box 309  
Marysville, MI 48040

Case Number: 320-6010401 [REDACTED]  
LM Number: 005904

Dear Mr. Wilson:

This office has recently completed an audit of Auto Workers Local 375 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 Thanh Nguyen on March 14, 2018 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 375's 2016 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and General Reimbursed Expenses

Local 375 did not retain adequate documentation for general disbursements to vendors and reimbursed expenses incurred by officers totaling at least \$2,878. For example, on

November 7, 2016, an electronic payment of \$660 was made to Solo Storage for the payment of a rental unit. In support of this payment, Local 375 maintained a voucher for this payment, but failed to retain a receipt or invoice from the vendor, which is not sufficient. As another example, adequate supporting documentation was not retained for a \$164 reimbursement to Trustee Aimee Roehrig for reimbursed luggage and taxi expenses. In support of this expense, Local 375 only retained a voucher, which is not sufficient.

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. Reimbursed Auto Expenses

Local 375 officers and stewards who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$4,142 during 2016. Local 375 officers' and stewards' mileage reimbursements were claimed on vouchers that normally identified the date of travel, the final destination for travel, and the person incurring the expenses; however, the vouchers were insufficient because they failed to identify the originating point of travel and/or the total number of miles driven. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

4. Receipt Dates not Recorded

Entries in Local 375's income ledger reflect the date the union deposited money, but not the date money was received. For example, a Black River Manufacturing dues check of \$510.03 was received by the union in November 2016, but was not recorded in the local's receipts records until it was deposited in January 2017. 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.

5. Information not Recorded in Meeting Minutes

During the audit, former Financial Secretary Mollie Paterson and President Jessie Wilson advised that per Article IX of the local's bylaws, any disbursement of less than \$250 may be authorized and approved by the Executive Board alone, but that any disbursement in excess of \$250 must be reported to the membership for a vote and approval. Furthermore, Paterson and Wilson advised that the Local president is authorized to approve any lost time

claims consisting of less than two consecutive days and that any lost time claims of more than two consecutive days must be authorized and approved by the Executive Board.

The audit found that the general membership and executive board meeting minutes did not contain any reference (discussion, vote, approval) to seven separate disbursements to vendors, all in excess of \$250, totaling at least \$8,733 that required approval from the executive board and/or membership. For example, on March 10, 2016, a payment totaling \$2,433.30 was made to Inland Press. However, meeting minutes reviewed for February and April (March was not provided), do not contain any reference to that payment. Furthermore, the audit revealed ten separate lost time payments to Vice President Greg Marinez, Recording Secretary Dawn Collins, Financial Secretary Mollie Paterson, and former President Ronald Scott Jr., totaling at least \$7,890, which all contained two or more consecutive days of lost time, were not referenced in any meeting minutes reviewed for the entire audit period.

Since Local 375's policies require that disbursements of more than \$250 be approved by the membership, and that reimbursements for lost time claims of more than two consecutive days must be approved by the executive board, then the minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 375 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(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 375 amended its constitution and bylaws in 2012, but did not file a copy with its LM report for that year. Local 375 has now filed a copy of its constitution and bylaws.

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 375 for the fiscal year ended December 31, 2016, was deficient in that:

#### Disbursements to Officers and Employees

Local 375 did not include some reimbursements and salary payments to Ms. Collins and Mr. Marinez totaling at least \$2,697 in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers). For example, Local 375's disbursement records indicate that Ms. Collins and Mr. Marinez received salary and expense payments totaling \$16,227; however, the total amount reported in Column H (Total) was \$13,530. It appears that the local erroneously reported these payments and the reimbursed expenses 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 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.

I am not requiring that Local 375 file an amended LM report for 2016 to correct the deficient items, but Local 375 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issues

##### 1. One Signature Checks

During the opening interview, you, Ms. Paterson, and Mr. Nguyen stated that all checks paid from the local's checking account required two officer signatures; however two checks to Ms. Collins, totaling approximately \$652, were only signed by Ms. Paterson. The purpose of the first signature is to attest to the authenticity of a completed document. The purpose of the second signature requirement is to attest to the authenticity of a completed document that is already signed; however, issuing checks with only one signature completely circumvents and undermines the purpose of the two-signature requirement. OLMS strongly recommends that Local 375 review these procedures to improve internal control of union funds. Also, each signer should fully understand that his/her fiduciary responsibilities demand that he/she know the purpose and legitimacy of each transaction before signing a check or withdrawal slip.

##### 2. Lost Time Discrepancies

The audit revealed five lost wage reimbursements to former President Ronald Scott, Jr. for 29.5 hours totaling approximately \$1,033, during which Mr. Scott may have also been paid by the employer. During the initial interview, you, Ms. Paterson, and Mr. Nguyen stated that Local 375 will only pay lost time claims to officers and employees if they actually lose wages from their employer while working on union business. It does not appear that Mr. Scott actually lost any wages on the five occasions noted above that he could have been reimbursed for because employer payroll records show that Mr. Scott worked at the employer on those dates. However, a review of his payroll records also revealed that Mr. Scott was off on unpaid leave for union business in the days immediately before or after the claims in question. The audit revealed that Mr. Scott did

not claim reimbursement from Local 375 for the hours he was off from his employer on unpaid union business.

During the exit interview, you and Mr. Nguyen indicated that the questionable lost claims submitted by Mr. Scott were likely the result of a recordkeeping error because Mr. Scott was absent from work in the days immediately before and immediately following the dates in question, and he did not submit a lost wage reimbursement to Local 375 for reimbursement.

The audit confirmed that the policy is generally followed by Local 375's officers and employees, except for the few instances noted above. I recommend that Local 375 review the union's written lost time policy outlined in Article XIII of the Local 375 bylaws with all union officers and employees to ensure that they are following the union's procedures for these disbursements. Furthermore, verification of lost wage claims submitted by union personnel by either allowing the officers to compare lost wage claims to employer records or by requiring union personnel to submit proof of lost wages claimed (for example, time cards/pay stubs) can be an effective internal control for such payments.

I want to extend my personal appreciation to Auto Workers Local 375 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. Thanh Nguyen, Financial Secretary