



June 8, 2018

Mr. Lionel Cantu, Secretary-Treasurer
SMART LU 937
812 Whitetail Deer Court
Crowley, TX 76036

Case Number: 420-6012954
LM Number: 033730

Dear Mr. Cantu:

This office has recently completed an audit of SMART LU 937 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 April 27, 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.

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-3) filed by SMART Local 937 for the fiscal year ended December 31, 2017, was deficient in the following areas:

1. 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. SMART Local 937 amended its constitution and bylaws in 2015, but did not file a copy with its LM report for that year.

SMART Local 937 has now filed a copy of its constitution and bylaws.

2. Cash Reconciliation

Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) on the LM3 Reports for FYE 12/31/16 and 12/31/17 are not the figures according to Local 937's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

The union has now filed amended reports to correct the deficient items.

Other Issue

Signing Blank Checks

During the audit, you advised that President Tommy Hill signs blank checks. Your union's bylaws require that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that SMART Local 937 review these procedures to improve internal control of union funds.

You have ensured me that the practice of signing blank checks will no longer be used. No further action will be taken on issue.

I want to extend my personal appreciation to SMART LU 937 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. Tommy Hill, President
Mr. Josh Coles, Vice President
Mr. Aaron Howard, Trustee
Mr. Edward Aguilera, Trustee