



March 8, 2018

Mr. Douglas Parks, Financial Secretary  
Auto Workers Local 1414  
1415 3rd Street  
East Moline, IL 61244-1301

Case Number: 310-6011885-  
LM Number: 064415

Dear Mr. Parks:

This office has recently completed an audit of Auto Workers Local 1414 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 Office Secretary [REDACTED] on February 15, 2018, and during a follow-up email with you and [REDACTED] of Roberts Software on March 6, 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 1414's 2016 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

Local 1414 did not record in its receipts records income from the union's soda vending machine. You advised that Local 1414 uses the proceeds from the vending machine to restock the machine. The receipts are not recorded in union records or deposited to the union's account. 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.

2. Receipt Dates not Recorded

Entries in Local 1414's receipts journal do not always reflect the date money was received. The receipt dates were sometimes the deposit date or the date the entries were made to the accounting software. 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-3. The LM-3 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.

Based on your assurance that Local 1414 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-3) filed by Local 1414 for the fiscal year ended December 31, 2016, was deficient in the following areas:

1. Subsidiary Organization

Item 10 (During the reporting period did your organization have a "subsidiary organization" as defined in Section X of the instructions?) should have been answered "No" because Local 1414's building corporation is not a subsidiary as defined by the LM instructions. A subsidiary is a separate organization that is wholly owned, controlled, and financed by a single labor union. In the case of Local 1414, a subsidiary that is owned and controlled by multiple local unions does not constitute a subsidiary of any one union. Therefore, the unions that own the building corporation are not required to consolidate its finances on their LM report or attach a certified audit report concerning the corporation.

2. Trusts or Funds

Item 11 (During the reporting period did your organization create or participate in the administration of a trust or other fund or organization which provides benefits for members or their beneficiaries?) was correctly answered "Yes" because the UAW building corporation in which Local 1414 is a co-owner appears to be a trust as defined in Section 3(l) of the LMRDA. However, Local 1414 failed to identify its ownership interest as an other asset or investment on Statement A (Assets and Liabilities) on its most recently filed LM-3 report for fiscal year ended December 31, 2016. If the building corporation is an investment it should be reported in Item 28 (Investments), and if the building corporation is a non-investment, then it should be reported in Item 30 (Other Assets). Local 1414 must

also provide in Item 56 (Additional Information) the name, address, and purpose of the trust.

3. Officer Not Listed

Local 1414 did not report the names of at least one officer and the total amounts of payments to him or on his behalf in Item 24 (All Officers and Disbursements to Officers). The audit revealed that the union had one additional officer, Committeeman [REDACTED] (committeeman is an officer position defined in Local 1414's bylaws). The general ledger shows that [REDACTED] received salary, lost wages, and reimbursed expenses during the audit year. The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

4. Disbursements to Officers

Local 1414 failed to include salary payments to officers totaling at least \$8,200 in the amounts reported in Column D (Gross Salary) of Item 24 (All Officers and Disbursements to Officers). For example, President Harold Swearingen received salary payments totaling at least \$3,000, but nothing was reported in Column D. The president, financial secretary, committeeman, and recording secretary each receive an "officer's allowance." You advised this allowance is intended to compensate officers for the work that they do and is not intended to be reimbursement to them for any specific expenses. Local 1414 also reimburses officers for expenses in addition to this "allowance." Therefore, these payments must be reported as gross salary. It appears the union erroneously reported these payments in Column E (Allowances and Other Disbursements) of Item 24.

The union must report most direct disbursements to Local 1414 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).

5. Other Receipts

Local 1414's general ledger shows that the union received over \$5,000 in wage reimbursements from the UAW CAP Council and its building corporation. However, only \$2,210 was reported in Item 43 (Other Receipts). It appears these reimbursements were erroneously reported elsewhere on the report.

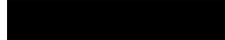
6. Failure to File Bylaws

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 1414 amended its constitution and bylaws in 2014, but did not file a copy with its LM report for that year. Local 1414 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 1414 file an additional amended LM report for 2016 to correct the deficient items discussed above, but Local 1414 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to UAW Local 1414 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. Harold Swearingen, President