



November 19, 2018

Mr. Wayne Bonnes, President  
Auto Workers, AFL-CIO, Local 867  
316 4th Ave. NE  
Austin, MN 55912

Case Number: 320-6014747 [REDACTED]  
LM Number: 038695

Dear Mr. Bonnes:

This office has recently completed an audit of Auto Workers AFL-CIO Local 867 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, Financial Secretary Vernell Larson, and Recording Secretary Robert Bedner on October 29, 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 Violation

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 867's 2017 records revealed the following recordkeeping violation:

#### Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$1,632 during 2017. Mileage reimbursements were claimed on expense vouchers that normally identified the number

of miles driven and the rate of reimbursement; however, the expense vouchers were insufficient because they failed to identify the dates of travel and/or locations traveled to and from. For example, Mr. Larson received a mileage reimbursement of \$53.50 on February 2, 2017 for purchasing office supplies. In support of this claim, the union maintained a voucher, but the voucher was not sufficient because it failed to identify the date of travel and the locations traveled to and from. 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.

Based on your assurance that Local 867 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

#### Reporting Violation

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 867 for the fiscal year ended December 31, 2017, was deficient in the following area:

#### Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away door prizes at membership meetings totaling at least \$300 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

I am not requiring that Local 867 file an amended LM report for 2017 to correct the deficient item, but Local 867 has agreed to properly report the deficient item on all future reports it files with OLMS.

#### Other Issue

#### Lost Wage Policy

Article XI of the local's bylaws states that "The Financial Secretary salary will be \$1,800 per month in lieu of lost time, with no benefits"; however, during the opening interview you stated that all officers and members of Local 867 are entitled to claim lost wages while working on union business. You further stated that the financial secretary is not allowed to claim lost wages for handling the union's finances and conducting book work, but it is the union's practice to pay

the financial secretary lost wages for attending conferences, trainings, and conventions, etc.; however, the union's policy to pay lost wages to the financial secretary has not been reduced to writing.

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish best practices for administering lost time payments. OLMS recommends that unions (1) adopt clear policies and procedures for making lost time or similar payments and (2) use vouchers that require detailed information to support lost time payments. These practices will allow the union to properly report lost time payments and travel expense on the Labor Organization Annual Report, Forms LM-2, LM-3, or LM-4.

OLMS recommends that union policies and procedures for lost wages be reduced to writing and added to your union's bylaws or discussed at an executive board or membership meeting where they can be supported by entries in the meeting minutes. During the exit interview, you stated that you would discuss the union's policy for paying lost wages to the financial secretary at the next membership meeting and update the union's bylaws to reflect the union's current practice. Once established, it is important that your union consistently follow its procedures for handling payments for lost time. You may want to have your union's trustees or auditors compare the steps taken to pay lost time with the union's policies to make sure that all required procedures are being followed.

I want to extend my personal appreciation to Auto Workers Local 867 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. Vernell Larson, Financial Secretary