



September 23, 2019

Mr. Doug O'Neal, President  
Auto Workers Local 870  
1341 Mockingbird Lane Ste. 301W  
Dallas, TX 75247

Case Number: 420-6015703 [REDACTED]  
LM Number: 019494

Dear Mr. O'Neal:

This office has recently completed an audit of Auto Workers Local 870 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, Treasurer Quincey Smith, and Bookkeeper Garland Tate, on August 9, 2019, 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 870's 2018 records revealed the following recordkeeping violations:

#### 1. Disbursements

Local 870 failed to maintain supporting documentation for some disbursements. For example, on September 1, 2018, check [REDACTED] for \$1,000.00 was written to Retiree Committee President Louis Andrews for the annual retiree reunion lunch, held at Golden Corral, and silver dollars. No purchase receipts were maintained by the local.

The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

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. Cancelled Checks

Local 870 did not maintain copies of cancelled checks. After the Organizational Interview, copies of the cancelled checks were provided.

In addition to receipts, bills, and vouchers, labor organizations must retain copies of cancelled checks as this is a union record which explains the amounts included on the LM report.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 870's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

### 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 870 for the fiscal year ended December 31, 2018, was deficient in the following areas:

#### 1. Professional Fees

Local 870 did not correctly report disbursements for professional fees. The audit revealed that during 2018, Local 870 disbursed \$4,265.11 for bookkeeping services provided by Garland Tate. The local must report professional fees in Item 49 (Professional Fees). The local erroneously reported this amount in Item 46 (To Employees).

2. Disbursements to Officers

Local 870 did not include reimbursements to officers totaling \$1,000.00 in Item 24 (All Officers and Disbursements to Officers). Check [REDACTED] in the amount of \$1,000 written to Retiree Committee President Louis Andrews for the annual reunion lunch, held at Golden Corral, and silver dollars must be reported in Item 24 as a disbursement to an officer.

The union must report most direct disbursements to Local 870 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).

3. Other Receipts

Local 870 failed to report unused funds of \$309 from check [REDACTED] and returned to the local by Andrews in a cashier's check. The returned funds must be reported in Item 43 (Other Receipts).

Local 870 must file an amended Form LM-3 for the fiscal year ended December 31, 2018, to correct the deficient items discussed above. Local 870 has now filed the amended LM-3 for 2018.

I want to extend my personal appreciation to Auto Workers Local 870 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,

[REDACTED]

Investigator

cc: Mr. Quincey Smith, Treasurer  
Mr. Garland Tate, Bookkeeper