



February 12, 2020

Mr. Tony Ward, President
Utility Workers, AFL-CIO
Local 473
2441 West Water Street
Port Huron, MI 48060

Case Number: 320-6017443 [REDACTED]
LM Number: 066-634

Dear Mr. Ward:

This office has recently completed an audit of Utility Workers (UWUA), AFL-CIO Local 473 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, Secretary/Treasurer Matt Johnson, and member [REDACTED] on January 29, 2020, 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 473's 2018 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and General Reimbursed Expenses

Local 473 did not retain adequate documentation for disbursements to vendors and payments to Mr. Johnson, Steward Jeremy Crawford, and Steward Lance Clouse totaling at least \$1,805. For example, adequate supporting documentation was not retained for a \$305.60

reimbursement to Mr. Johnson for a printer he purchased for the union. In support of this expense, Local 473 only retained a voucher, which is not sufficient. As another example, adequate supporting documentation was not retained for a \$509.23 debit card charge you made at the Crowne Plaza Niagara Falls Hotel on October 29, 2018 for lodging expenses you incurred to attend the 2018 Inter-Union Gas Conference. In support of this expense, Local 473 only retained a voucher and a bank statement, 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

Mr. Johnson received reimbursement for business use of his personal vehicle but did not retain adequate documentation to support payments to him totaling at least \$388 during 2018. Mr. Johnson's mileage reimbursements were claimed on expense vouchers that identified the dates of travel, the locations traveled to, the number of miles driven, the total mileage expenses, and the union business conducted; however, the expense vouchers were insufficient because they failed to identify the locations traveled 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.

3. Lost Wages

Local 473 did not retain adequate documentation for lost wage reimbursement payments to you, Mr. Johnson, Mr. Crawford, Mr. Fisher, Vice President Jim Fairchild Sr., Trustee Jimmy Fairchild Jr., and Sergeant-at-Arms A. J. Stolecki totaling at least \$3,965 during the audit year. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business being conducted. The audit found that the union retained vouchers for lost wage reimbursements, but in many instances the vouchers were not sufficient because you, Mr. Johnson, Mr. Crawford, [REDACTED], Mr. Fairchild Sr., Mr. Fairchild Jr., and Mr. Stolecki did not always adequately identify the union business conducted, the applicable rate of pay, or the number of hours lost on each date.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, which contains a sample of an expense voucher Local 473 may use to satisfy this requirement. The sample identifies the types of information and documentation that the local must maintain for lost wages and other officer expenses.

4. Fundraising Raffle

The audit revealed that Local 473 conducted a raffle of two Apple watches totaling \$1,057.88 at the Semco Energy headquarters in November 2018. According to Mr. Johnson, approximately \$1,200 in cash was collected from this raffle, all of which was donated directly to Jason Teets on the day the raffle ended. The audit found that Local 473 did not maintain adequate records to document the raffle winners' names, the funds it collected, or the funds that were donated to Mr. Teets.

Records must be retained which account for all union property. In the case of watches or other items sold or given away to members, records must be maintained to clarify and support information required to be reported by Local 473 in Statements A and B of the Labor Organization Annual Report (Form LM-3). The value of any of watches or similar property on hand at the beginning and end of the year should be reported in Item 30 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the Form LM-3 with the identity of the recipient(s) or donor of such property. In the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

For the sale of fundraising raffle tickets, records must be maintained, at a minimum, that explain the number of tickets sold, the price of each ticket, the amount of money collected, and the names of the winners/beneficiaries. Records must also be kept that identify the name of each person who sells tickets and the date and amount of money that each person turns in to Local 473. Such records must show that the persons who sell tickets fully account for all of the tickets provided to them by returning any unsold tickets along with the money raised from sold tickets. All unsold tickets, and ticket stubs (if any), must be retained.

Based on your assurance that Local 473 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 473 for the fiscal year ended December 31, 2018, was deficient in the following areas:

1. 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 watches totaling at least \$1,057 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.

2. Disbursements to Officers

Local 473 did not include disbursements to you, Mr. Johnson, and Mr. Fairchild Sr. totaling at least \$7,586 in the amounts reported in Item 24 (All Officers and Disbursements to Officers), Column D (Gross Salary). Local 473's disbursements records indicate that you, Mr. Johnson, and Mr. Fairchild Sr. received gross salaries (including lost time) of \$7,586; however, the total amount reported in Column D of Item 24 for you, Mr. Johnson, and Mr. Fairchild Sr. was \$0. It appears the union erroneously reported the gross salaries paid to you, Mr. Johnson, and Mr. Fairchild Sr. in Item 24, Column E (Allowances and Other Disbursements) and the lost time paid to Mr. Johnson, Mr. Fairchild Sr., and you in Item 48 (Office and Administrative Expense) or Item 54 (Other Disbursements), rather than in Column D.

Additionally, Local 473 over reported reimbursements it made to you and Mr. Johnson by at least \$2,111 in the amounts reported in Item 24, Column E. Local 473's disbursements records indicate that you and Mr. Johnson received reimbursed expenses totaling \$934; however, the total amount reported in Column E of Item 24 for you and Mr. Johnson was \$3,045. Local 473 appears to have erroneously reported the gross salaries paid to you and Mr. Johnson in Column E while reporting the reimbursed expenses it paid to you and Mr. Johnson in Item 48 or Item 54.

Local 473 must report in Column D of Item 24 gross salaries (before tax withholdings and other payroll deductions) of union officers, including disbursements for lost time and cash bonuses. Local 473 must report in Column E of Item 24 direct disbursements to officers for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column E of Item 24 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. 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.

3. Fundraiser Raffle Receipts and Disbursements

Local 473 failed to report the amount of the raffle fundraiser ticket receipts it collected and donated during the year. Local 473 did not report any of the estimated \$1,200 in fundraiser raffle ticket receipts it collected and did not report any of the estimated \$1,200 in raffle proceeds that it donated. Local 473 is required to report all money collected from raffle fundraiser ticket sales in Item 43 (Other Receipts), and all money donated to members or other entities is required to be reported in Item 51 (Contributions, Gifts, and Grants). OLMS recommends that in future raffle fundraisers Local 473 deposit the total amount of the raffle proceeds and write a check to the raffle beneficiary.

I am not requiring that Local 473 file an amended LM report for 2018 to correct the deficient items, but Local 473 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Single Signature Requirement

During the audit, Mr. Johnson advised that Local 473 checks are signed by only one officer. Although not prohibited by Local 473's bylaws, a single signature requirement on union checks is not an effective internal control of union funds. The purpose of a second signature is to attest to the authenticity of a completed document that has already been signed. OLMS recommends that Local 473 review this disbursement procedure to improve internal control of union funds.

I want to extend my personal appreciation to UWUA Local 473 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]

[REDACTED]

Investigator

cc: Mr. Matt Johnson, Secretary/Treasurer

[REDACTED]