



April 1, 2020

Ms. Jennifer Grabczyk, President
Auto Workers, AFL-CIO
Local 722
P.O. Box 572
Hudson, WI 54015

Case Number: 320-6017094 [REDACTED]
LM Number: 045251

Dear Ms. Grabczyk:

This office has recently completed an audit of Auto Workers Local 722 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 March 11, 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 722's 2018 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and General Reimbursed Expenses

Local 722 did not retain adequate documentation for disbursements to vendors and payments to you, former Financial Secretary Roberta Floyd, and Committeeman Steve Frisque totaling at least \$2,269. For example, adequate supporting documentation was not retained for a \$75 reimbursement to you for an expense you incurred at the Hudson House

Hotel. While Local 722 recorded this expense in its general ledger, it did not retain any supporting documentation, such as a voucher or receipt. As another example, adequate supporting documentation was not retained for a \$300.40 debit card charge the union made to Delta Airlines on March 30, 2018 for airfare for the UAW Constitutional Convention. Local 722 also recorded this expense in its general ledger, but again did not retain any supporting documentation, such as a voucher or receipt.

Additionally, Local 722's records of meal expenses did not always include itemized receipts. For example, an itemized receipt was not retained for a \$457.77 meal expense the union incurred at Pier 500 on December 13, 2018 for a Christmas breakfast. In support of this expense, Local 722 only retained a debit card signature receipt, which is not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. 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. Records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses. 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. Failure to Accurately Record Receipts

The audit revealed that Local 722 did not accurately record in its receipts records the source of some employer dues checkoff checks totaling at least \$344. For example, for a \$96.87 deposit made on December 5, 2018, Local 722 recorded Ford Motor Company as the source of the receipt in its receipts journal rather than the receipt's actual source, Compass Group. 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.

3. Disposition of Property

The audit revealed that Local 722 did not maintain an inventory of tee-shirts it sold during the audit year. While Local 722 retained records that identify the date the tee-shirts were sold and the amount received from the sale, it did not maintain records that identified who purchased the tee-shirts or the tee-shirts (and their value) that were on hand at the beginning and end of the year.

The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must

be reported in Item 30. The union must record in at least one record the date and amount received from each sale of union hats, jackets, and other items.

In addition, 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.

Based on your assurance that Local 722 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 722 for the fiscal year ended December 31, 2018, was deficient in the following areas:

1. Disbursements to Officers

Local 722 did not include reimbursements to you, Ms. Floyd, Mr. Frisque, and Shop Chair Daniel Norton totaling at least \$3,636 in the amounts reported Item 24 (All Officers and Disbursements to Officers), Column E (Allowances and Other Disbursements). Local 722's disbursements records indicate that you, Ms. Floyd, Mr. Frisque, and Mr. Norton received reimbursed expenses totaling at least \$3,636; however, the total amount reported in Column E of Item 24 for you, Ms. Floyd, Mr. Frisque, and Mr. Norton was \$0. It appears that Local 722 erroneously reported its officers' reimbursed expenses in Item 48 (Office and Administrative Expense) and/or Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 722 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.

2. 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 prizes at the union picnic and toys at a children's Christmas party totaling at least \$760. 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.

3. Receipts and Disbursements from Vending Machines

During the audit year, Local 722 received vending machine proceeds totaling at least \$785 from Canteen Vending. These proceeds were used to make a partial payment to Pier 500 for the union’s Christmas party. During the exit interview, you advised that the vending machine proceeds and the corresponding disbursement to Pier 500 were “netted” and as a result, Local 722 did not report these receipts or disbursement in Statement B (Receipts and Disbursements).

As discussed during the exit interview, the purpose of Statement B is to report the flow of cash in and out of your organization during the reporting period. Since Statement B reports all cash flowing in and out of your organization, “netting” is not permitted. All of the money received from Canteen Vending for vending machine sales should have been reported in Item 43 (Other Receipts). All of the money disbursed to Pier 500 should have been reported in Item 54. OLMS also recommends that in the future, Local 722 deposit the total amount of the vending proceeds and write checks to vendors.

I am not requiring that Local 722 file an amended LM report for 2018 to correct the deficient item, but Local 722 has agreed to properly report the deficient item on all future reports it files with OLMS.

Other Issue

Charitable Donations

The audit revealed that Local 722 did not maintain records to verify that donations made by the union totaling at least \$5,156 were properly approved. For example, the union made a donation of \$1,164 to the Christian Food Pantry on February 8, 2018. The audit found no authorization for this disbursement recorded in any union records. During the exit interview, you stated that all donations are approved by the union’s community services committee but are not discussed at general membership meetings or recorded in any union minutes. OLMS recommends that the union keep a record, such as meeting minutes, that records authorizations for all donations made with union funds.

I want to extend my personal appreciation to Auto Workers Local 722 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Ms. Melody Bailey, Financial Secretary