



Sent via email to: [REDACTED]

November 3, 2021

Mr. Osama Ouf, President
Auto Workers, AFL-CIO
Local 1402

[REDACTED]

Case Number: 320-6020284([REDACTED])
LM Number: 063891

Dear Mr. Ouf:

This office has recently completed an audit of Auto Workers Local 1402 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 Financial Secretary Martha Zuidema on October 18, 2021, 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 1402's 2017, 2018, and 2019 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and General Reimbursed Expenses

Local 1402 did not retain adequate documentation for disbursements to vendors and payments to you, Ms. Zuidema, and former President John Birkett totaling at least \$4,958

in 2019. For example, adequate supporting documentation was not retained for four disbursements totaling \$2,188.08 Local 1402 made to the Grand Traverse Resort and Spa in Traverse City, Michigan for the UAW Region 1D Conference. In support of these disbursements, Local 1402 only retained vouchers and a UAW flyer detailing lodging arrangements for the conference, which is not sufficient. As another example, adequate supporting documentation was not retained for an \$86 reimbursement to you for flowers you purchased for the union. In support of this payment, Local 1402 only retained a voucher, 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. Lost Wages

Local 1402 did not retain adequate documentation for lost wage reimbursement payments to union officers and members totaling at least \$4,044 between 2017 and 2019. 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 conducted. The audit found that the union retained vouchers for lost wage reimbursements, but in some instances the vouchers were not sufficient because they did not always identify the date the lost wages were incurred or adequately describe the union business conducted.

Following the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 1402 may use to satisfy this requirement. The sample identifies the type of information and documentation that the union must maintain for lost wages and other officer expenses.

3. Failure to Retain Voided Checks

The audit revealed that Local 1402 failed to retain 37 voided checks in 2019. At the exit interview, you and Ms. Zuidema stated that Local 1402 will maintain all future voided checks. As a general rule, all types of records created or used in the normal course of doing union business must be maintained by the union for five years.

Based on your assurance that Local 1402 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

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 1402 for the fiscal year ended December 31, 2019, was deficient in that:

Disbursements to Officers

Local 1402 did not include some disbursements to officers totaling at least \$4,100 in the amounts reported in Item 24 (All Officers and Disbursements to Officers), Column D (Gross Salary). Local 1402's disbursements records indicate that its officers received gross salary (including lost wages and cash raffle prizes paid by check) of \$23,115; however, the amount reported in Column D of Item 24 for the union's officers was \$19,015. Local 1402 appears to have erroneously reported its officers' monthly salaries in Column E (Allowances and Other Disbursements), rather than in Column D; additionally, the union appears to have erroneously reported cash raffle prizes it paid to several officers in Item 51 (Contributions, Gifts, and Grants), rather than in Column D.

Additionally, Local 1402 did not include some reimbursements to officers totaling at least \$3,105 in the amounts reported in Item 24, Column E. Local 1402's disbursements records indicate that its officers received reimbursed expenses totaling \$6,955; however, the total amount reported in Column E of Item 24 for the union's officers was \$3,850. In addition to the error noted in the previous paragraph regarding the reporting of officer salaries in Column E, it appears the local erroneously reported the reimbursements it made to its officers in Item 54 (Other Disbursements).

Local 1402 must report in Column D of Item 24 gross salaries (before tax withholdings and other payroll deductions) of union officers, including disbursements for lost wages and cash raffle prizes. Local 1402 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 (Office and Administrative Expense).

I am not requiring that Local 1402 file an amended LM report for 2019 to correct the deficient items, but Local 1402 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Possible Over and Underpayments of Lost Wages

A comparison of the lost wage claims submitted by you, Ms. Zuidema, Recording Secretary Paula Kessinger, Trustee Sarah Koperski, Mr. Birkett, and [REDACTED] during 2017, 2018, and 2019 with payroll records received from your employer revealed that [REDACTED] and Ms. Koperski appear to have been overpaid a net total of \$311.44 and \$246.20, respectively. The

comparison also found that you, Ms. Zuidema, Ms. Kessinger, and Mr. Birkett appear to have been underpaid a net total of \$69.60, \$1,302, \$118, and \$1,285.89, respectively, during this period.

At the exit interview, you and Ms. Zuidema advised that you will review the lost time claims submitted by yourselves and the other officers noted above with the local's executive board and then determine the appropriate actions to take. OLMS recommends a careful review of lost wage claims as this can help ensure adequate internal controls and safeguard union assets.

I want to extend my personal appreciation to Auto Workers Local 1402 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 black rectangular redaction box covering the signature of the sender.

Senior Investigator

cc: Ms. Martha Zuidema, Financial Secretary