

U.S. Department of Labor

Office of Labor-Management Standards
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September 27, 2024

Richard Phillips, Financial Secretary
Auto Workers, AFL-CIO, Local 72
3030 39th Ave
#101
Kenosha, WI 53144

Case Number: 320-6029462
LM Number: 010923

Dear Richard Phillips:

This office has recently completed an audit of Auto Workers, AFL-CIO, Local 72 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 Recording Secretary Ann Wilson on September 18, 2024, 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 72's 2023 records revealed the following recordkeeping violations:

1. Christmas Party Ticket Sales

The audit revealed that Local 72 sold tickets to its members for a Christmas party it hosted during the audit year. Local 72 received at least \$2,470 from these tickets sales; however, it did not maintain adequate records to document the funds collected from the ticket sales.

Local 72 retained a ledger that recorded the payee and date of payment, but not the amount of payment, which is not sufficient. At the exit interview, Recording Secretary Ann Wilson said a record with this information was retained for parties in previous years.

For the sale of Christmas party 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 ticket holders. 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 the union. Such records must show that the persons who sell tickets fully account for all 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.

2. Raffles

The audit revealed that Local 72 conducts a 50/50 raffle during its annual holiday party. Half of the money collected was distributed to the raffle winner and the other half was donated to the Kenosha Aging and Disability Resource Center at the end of the fiscal year or at the beginning of the next fiscal year. The audit found that Local 72 did not adequately record the sale of 50/50 raffle tickets. The local only recorded the net proceeds received by the union, which is not sufficient.

For the sale of 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 winner/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 into Local 72. Such records must show that the persons who sell tickets fully account for all 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.

3. Check for Meeting Room Rental, Donations, and Petty Cash Disbursements

Local 72 did not retain adequate documentation for a disbursement for a meeting room rental, donations to the Aging and Disability Resource Center of Kenosha and the Women's and Children's Horizons, and petty cash disbursements for supplies totaling at least \$3,432. For example, Local 72 failed to retain adequate supporting documentation for a \$972.55 meeting room rental at the Double Tree hotel in Pleasant Prairie, WI on October 31, 2023. In support of this payment, Local 72 only retained meeting minutes containing an announcement for the meeting at the hotel, which is not sufficient.

As another example, Local 72 did not retain adequate documentation for a \$1,000 donation to the Aging and Disability Resource Center of Kenosha on January 11, 2023. The union's meeting minutes indicated that the union received a thank you letter for this donation but failed to retain it, 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. Labor organizations must also maintain all correspondence received for donations, including "thank you" letters. These letters are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

4. Meal Expenses

Local 72 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$730. For example, Local 72 purchased food for a retiree meeting luncheon from Piggly Wiggly in Kenosha, WI on June 6, 2023 for \$353.41. In support of this meal, Local 72 retained a non-itemized receipt, which is not sufficient. 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.

Handwritten receipts for meals did not always contain the vendor's contact information. For example, Local 72 reimbursed you for a \$182 meal for the retiree chapter gold league on August 31, 2023. In support of this payment, the union retained a handwritten receipt that included the date, amount, and business purpose of the meal, but failed to identify the vendor, which is not sufficient. Union 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.

Based on your assurance that Local 72 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 72 for the fiscal year ended December 31, 2023, was deficient in that:

Disbursements to Officers (LM-3)

Local 72 did not include some salary payments to officers totaling at least \$6,600 and some reimbursements to officers totaling at least \$1,437 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense). For example, the audit revealed that you received salary payments totaling \$4,600 and Recording Secretary Wilson received salary

payments totaling \$2,000; however, the amounts reported in Column D (Gross Salary) of Item 24 were \$0 for both of you. In another example, Retiree Chapter Chair Wilson received reimbursements totaling at least \$666, you received reimbursements totaling at least \$520, and Recording Secretary Wilson totaling at least \$250; however, the amounts reported in Column E (Allowances and Other Disbursements) of Item 24 were \$0 for all officers.

Further, Local 72 did not include some reimbursements to employees totaling at least \$4,609 in the amounts reported in Item 46 (To Employees). For example, former employee [REDACTED] received \$3,600 to buy out her insurance plans, member [REDACTED] received a \$600 reimbursement for buying Christmas party gifts, and Vice President John Drew was paid \$229 in mileage; however, the amount reported in Item 46 was \$0.

The union must report most direct disbursements to Local 72 officers and employees and some indirect disbursements made on behalf of its officers and employees in Item 24 for officers and Item 46 for employees. 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 Items 24 and 46 for a discussion of certain direct disbursements to officers and employees that do not have to be reported in Items 24 or 46. An "indirect disbursement" to an officer or employee 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 or employee. 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 or employee traveling on union business should be reported in Item 48 (Office and Administrative Expense).

I am not requiring that Local 72 file an amended LM report for 2023 to correct the deficient items, but Local 72 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Auto Workers Local 72 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: Peggy Applegate-Peplinski, President
Ann Wilson, Recording Secretary