



July 26, 2013

Mr. Derek Duff, Financial Secretary
Auto Workers, AFL-CIO
Leadership Council
Tennessee State Community Action Program
1735 Warren Hollow Road
Nolensville, TN 37135

Case Number: 430-10502 [REDACTED]
LM Number: 543-168

Dear Mr. Duff:

This office has recently completed an audit of Auto Workers (UAW), AFL-CIO, Leadership Council, Tennessee State Community Action Program 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 President Kevin Huddleston on July 12, 2013, 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 the UAW Tennessee Community Action Program Council's 2012 records revealed the following recordkeeping violations:

1. General Expenses

The UAW Tennessee Community Action Program Council did not retain adequate documentation for general expenses totaling at least \$2,500. For example, the union made a disbursement of \$2,500 to the U.S. Postal Service, but did not maintain a receipt or voucher for the disbursement.

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

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$3,346.82 during 2012. 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. Information not Recorded in Meeting Minutes

During the audit, Mr. Huddleston advised OLMS that the executive board authorized expenses pertaining to the meeting held in Gatlinburg, Tennessee sometime in 2012. Article X, Section 6 of the council's bylaws states, "All expenditures must be approved by the executive board and the Regional Director." However, the minutes of the meeting do not contain any reference to those issues. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that the UAW Tennessee Community Action Program Council 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 the UAW Tennessee Community Action Program Council for the fiscal year ended December 31, 2012, was deficient in the following areas:

1. Disbursements to Officers

The UAW Tennessee Community Action Program Council did not include some reimbursements to officers totaling at least \$200 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48. Additionally, the UAW Tennessee Community Action Program Council erroneously included in Item 24 reimbursements to Auto Workers affiliates totaling at least \$27,310.88. These reimbursements should have been reported in Item 54 (Other Disbursements).

The union must report most direct disbursements to the UAW Tennessee Community Action Program Council 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).

2. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. The UAW Tennessee Community Action Program Council amended its constitution and bylaws in 2011, but did not file a copy with its LM report for that year. The UAW Tennessee Community Action Program Council has now filed a copy of its constitution and bylaws.

I am not requiring that the UAW Tennessee Community Action Program Council file an amended LM report for 2012 to correct the deficient items, but the UAW Tennessee Community Action Program Council has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that the UAW Tennessee Community Action Program Council's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the UAW Tennessee Community Action Program Council obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issues

1. Signing Blank Checks

During the audit, you advised that Regional Community Action Program Coordinator Roy Thomas signs blank checks. Your union's bylaws require that all checks be signed by the financial secretary and countersigned by the regional director or his designee. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that the UAW Tennessee Community Action Program Council reviews these procedures to improve internal control of union funds.

2. Reimbursements

During the audit year, the UAW Tennessee Community Action Program Council reimbursed expenses and lost wages to UAW Local 342, but the reimbursements were not in the proper amounts. The audit revealed that the UAW Tennessee Community Action Program Council overpaid the union by \$660.75. It is important that all disbursements are accurate and issued in the proper amounts. OLMS recommends that the UAW Tennessee Community Action Program Council thoroughly reviews all vouchers and other supporting documentation for accuracy before making a disbursement.

4. Expense Policy

The audit revealed that the UAW Tennessee Community Action Program Council disbursed per diem payments totaling at least \$100 to individuals who performed union business that did not require overnight stays. However, there is no written authorization to pay these expenses. Although OLMS does not recommend one best policy for authorizing expenses, OLMS recommends that your union adopt a written authorization for payment of the per diem expense to ensure compliance with the LMRDA.

I want to extend my personal appreciation to the UAW Tennessee Community Action Program Council 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,



Investigator

cc: Mr. Kevin Huddleston, President