



January 22, 2016

Mr. Robert Helfrick, Treasurer
Auto Workers Local 1296
100 Cumberland Valley Avenue
Waynesboro, PA 17268

Case Number: 140-6005713 [REDACTED]
LM Number: 063281

Dear Mr. Helfrick:

This office has recently completed an audit of Auto Workers Local 1296 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 January 20, 2016, 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 1296's 2014 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 1296 did not retain adequate documentation for disbursements totaling at least \$3,400. For example, check [REDACTED] was written to Unlimited Graphics on July 28, 2014 for

\$2,203.46 to purchase 50th anniversary jackets for membership. No invoice or receipt was retained for this 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. Lost Time

Local 1296 did not retain adequate documentation for lost time reimbursement payments to union officers and employees totaling at least \$12,750. The union must maintain records in support of lost time claims that identify each date lost time was incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 1296 maintained lost time vouchers for every lost time payment; however, the vouchers did not always include all required information.

During the exit interview, I informed you that compliance tip sheet, *Union Lost Time Payments*, can be found on the OLMS website (www.olms.dol.gov). This compliance tip sheet contains a sample of an expense voucher Local 1296 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

Based on your assurance that Local 1296 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 (LM-3) filed by Local 1296 for the fiscal year ended December 31, 2014, was deficient in that:

Disbursements to Officers (LM-3)

Local 1296 did not include some reimbursements to officers totaling at least \$2,600 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 Office & Administrative Expense and Item 54 Other Disbursements.

Local 1296 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received

any payments from the union and regardless of whether or not they were still in office at the end of the fiscal year.

The union must report most direct disbursements to Local 1296 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).

Local 1296 must file an amended Form LM-3 for the fiscal year ended December 31, 2014, to correct the deficient items discussed above. I encourage Local 1296 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than February 19, 2016 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

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.

Local 1296's officers and employees are currently bonded for \$25,000, but they must be bonded for at least \$27,369.38. Local 1296 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office at the above address as soon as possible, but not later than February 19, 2016.

Other Issue

Duplicate Receipts

Local 1296 sold union logo t-shirts to its membership; however, the local did not issue receipts to members who purchased t-shirts. OLMS recommends that Local 1296 use a duplicate receipt

system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to Auto Workers Local 1296 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. Christopher Bishop, President