



June 12, 2018

Mr. Joseph Wolf, Financial Secretary
Auto Workers Local 1872
3562 Gillespie Drive
York, PA 17404

Case Number: 140-6012393 [REDACTED]
LM Number: 505-423

Dear Mr. Wolf:

This office has recently completed an audit of Auto Workers Local 1872 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 David Stauch on May 18, 2018, 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 1872's 2017 records revealed the following recordkeeping violations:

1. General Disbursements and Reimbursed Expenses

Local 1872 did not retain adequate documentation for disbursements totaling at least \$2600. For example, on January 5, 2017, the local wrote check [REDACTED] to Spangler & Boyer Mechanical for \$511, but did not retain backup documentation, such as a bill, invoice, or receipt.

In addition, Local 1872 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$1,249. For example, Caterpillar Shop Chairman Chris Roach attended a Cat Council meeting in October 2017, but a hotel receipt, airport parking receipt, or luggage receipt, which totaled \$762.60, was not retained in union records for the reimbursement.

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. Please review compliance assistance tip sheet *LMRDA Recordkeeping Requirement for Unions*, which can be found on the OLMS website (www.dol.gov/olms).

2. Lost Wages

Local 1872 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees on at least 23 occasions. 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 OLMS audit found that Local 1872, retained vouchers for all lost time payments; however, officers did not always identify on the lost time vouchers the union business conducted.

Please review compliance assistance tip sheet *Union Lost Time Payments*, which can be found on the OLMS website. This tip sheet contains a sample of an expense voucher Local 1872 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.

3. Receipt Dates not Recorded

Entries in Local 1872's receipts journal reflect the date the union deposited money, but not the date money was received by the officers and members who collected the money. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them. Please review compliance assistance tip sheet *Recordkeeping For and Reporting of Receipts*, which can be found on the OLMS website.

Based on your assurance that Local 1872 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1872's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

Other Issues

1. Duplicate Receipts

Members and outside entities paid money directly to Local 1872 for several reasons, such as retiree dues, 300 Club ticket sales, hall rental, and social activities. Multiple union officers and members collected money on behalf of the local; however, duplicate receipts were not issued to the payers. OLMS recommends that Local 1872 use a duplicate receipt system where the union issues original pre-numbered receipts to all individuals 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.

2. Hall Rental Written Policy

The audit revealed that Local 1872 does not have a written hall rental policy. OLMS recommends that unions adopt written guidelines concerning such matters. A written hall rental policy may include, the terms of the rental, the fee charged for the rental, the security deposit clause, the procedure for adjusting the rental amount, and rules for renters.

3. Information not Recorded in Meeting Minutes

During the audit, you and President Stauch stated that the executive board has the authority to adjust the hall rental amount and the authority regarding returning a renter's security deposit. During the audit year, the rental amount was adjusted for some renters and a deposit was kept for at least one renter; however, in most instances, executive board approval was not recorded in the executive board meeting minutes.

I want to extend my personal appreciation to Auto Workers Local 1872 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: Mr. David Stauch, President