



September 25, 2018

Mr. Edwin Barney, President
Auto Workers, AFL-CIO, Local 579
1009 Tilton Rd.
Tilton, IL 61832

Case Number: 310-6012659 [REDACTED]
LM Number: 039457

Dear Mr. Barney:

This office has recently completed an audit of Auto Workers Local 579 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, Recording Secretary William Dumas, Trustee Tim Barney, Sergeant-At-Arms Raymond Hillary Jr., and Guide Lester Cudney on September 20, 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 579's 2016 records revealed the following recordkeeping violations:

1. General Expenses and Charitable Gaming Night Cash Prize Payouts

Local 579 did not retain adequate supporting documentation for at least 12 disbursements by union check to LBC Inc., a bingo/charitable gaming supply company, between February and June 2016 totaling approximately \$17,086.16. LBC Inc. invoices were not maintained for these disbursements which would have indicated the quantity and types of items purchased. In addition, Local 579 did not retain any supporting documentation regarding cash prizes that were paid out to charitable gaming night attendees. For example, the audit revealed that the union paid out approximately \$145,800 in pull tab cash prizes during the audit year, but failed to maintain a record of when the cash prizes were disbursed, the name/type of charitable game associated with the cash prize [i.e. bingo, pull tabs (e.g. "Derby Daze"), and raffle tickets (e.g. "Winner's Circle)], and the recipients of the cash prize payouts.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. In the case of charitable gaming night cash payouts, Local 579 must create and retain adequate backup records that will verify the reports filed with OLMS. At a minimum, the cash prize payout disbursement records should include the date of disbursement, payee, amount, and purpose (i.e. the name/type of the charitable game for which the cash prize payout was made). 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. Disposition of Property

Local 579 did not maintain an inventory of charitable gaming products (i.e. pull tabs, raffle tickets, bingo cards) and bingo card marking supplies (i.e. daubers and tape) it purchased, sold, and in the case of bingo cards and daubers, occasionally gave away to those who attended the local's weekly charitable gaming nights. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. The union must record in at least one record the date and gross amount received from the sale of every type of charitable gaming products and bingo card marking supplies.

In addition, in the case of items given away to members and gaming night attendees, the union must retain records that identify the date the items were given away, the type and quantity of items given away, and the recipients of those items.

3. Failure to Record Receipts

Local 579 did not record in its receipts records the gross sales amount the union received from the sale of pull tabs, raffle tickets, and bingo cards, but instead only recorded the net

profit from each type of charitable game that was deposited into the union's bank account. For example, the audit revealed that the union received approximately \$145,800 in gross sales from the sale of pull tabs, but only recorded in its receipts records approximately \$55,800 in net profit that was deposited into the union's bank account. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money (i.e. the name/type of the associated charitable game).

Based on your assurance that Local 579 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 579'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.

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 amended Labor Organization Annual Report Form LM-3 filed by Local 579 for the fiscal year ended December 31, 2016, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away an undetermined number of bingo cards in celebration of holidays and for members' and gaming night attendees' birthdays. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers

Local 579 did not report the Sergeant-at-Arms, Raymond Hillary Jr. 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.

The union must report most direct disbursements to Local 579 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).

3. Subsidiary Organization

Item 10 (During the reporting period did your organization have a subsidiary organization as described in Section X of the instructions?) should have been answered, "Yes," because you confirmed the existence of a building fund subsidiary organization at the onset of the compliance audit. In addition, the union's bingo and pull tab licenses are held in the name of Local Union No. 579 UAW Building Corporation. The LM-3 Instructions require the name, address, and purpose of each subsidiary organization to be reported Item 56 (Additional Information). Also, the union should indicate whether the information concerning its subsidiary organization's financial condition and operations is included in the Form LM-3 or in a separate report.

4. Other Receipts and Other Disbursements

In the case of pull tabs that were sold by the union, Item 43 (Other Receipts) and Item 54 (Other Disbursements) were underreported by least \$145,800 since the union only reported the net profit rather than reporting the gross sales amount in Item 43 and cash prize payouts in Item 54. The LM-3 Instructions require all receipts not reported in Items 38 through 42 be reported in Item 43 and all disbursements not reported in Items 45 through 53 be reported in Item 54. Also, the LM-3 Instructions for Statement B (Receipts and Disbursements) requires the reporting of all cash flowing in and out of your organization and prohibits "netting," which is the offsetting of receipts against disbursements.

In addition, although the union records indicated receipts of \$151,358.20 in bingo card and raffle ticket net profit during the audit year, the amount of gross sales and cash prize payouts for bingo and raffle tickets that should have been reported in Items 43 and 54, respectively, could not be determined due to Local 579 failing to maintain an adequate record of bingo cards sold and given away, raffle tickets sold, and the corresponding cash prizes paid out for each type of charitable game on weekly gaming nights.

I am not requiring that Local 579 file an amended LM report for 2016 to correct the deficient items, but Local 579 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 579 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: Mrs. Amanda Bryant, Treasurer
Mr. Roy Thomas, Vice President
Mr. William Dumas, Recording Secretary
Mr. Tim Barney, Trustee
Mr. Joseph McFadden, Trustee
Mr. Jacob Sliva, Trustee
Mr. Raymond Hillary Jr., Sergeant-At-Arms
Mr. Lester Cudney, Guide