



January 15, 2020

Mr. Troy Arnold, President  
Auto Workers, AFL-CIO  
Local 2125  
2130 South Broadway  
Suite 100  
Rochester, MN 55904

Case Number: 320-6017307 [REDACTED]  
LM Number: 513102

Dear Mr. Arnold:

This office has recently completed an audit of Auto Workers Local 2125 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, Treasurer Mark Ugland, and Recording Secretary Shari McGraw on January 7, 2020, 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 2125's 2018 records revealed the following recordkeeping violations:

1. Reimbursed Auto Expenses

Former President Steve Hagan and Chief Steward Duane Jacobson received reimbursement for business use of their personal vehicles but did not retain adequate documentation to support payments to them totaling at least \$373 during 2018. Mr. Hagan's and Mr. Jacobson's mileage reimbursements were claimed on expense vouchers that identified the dates of travel, the locations traveled to, the total mileage expenses, and the union business conducted; however, the expense vouchers were insufficient because they failed to identify the locations traveled from and the number of miles driven. 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.

2. Disposition of Property

The audit revealed that Local 2125 did not maintain an inventory of tee-shirts it sold during the audit year. While Local 2125 retained records that identify persons who received the tee-shirts and the date the tee-shirts were sold, it did not maintain records that identified the tee-shirts that were on hand at the beginning and end of the year. 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 amount received from each sale of union hats, jackets, and other items.

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

3. Receipt Dates not Recorded

Entries in Local 2125's receipts journal reflect the date the union deposited money, but not the date money was received for six dues checkoff checks totaling at least \$28,088. 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.

Based on your assurance that Local 2125 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 2125 for the fiscal year ended December 31, 2018, was deficient in the following area:

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 gift cards for a "Big Buck" contest and fishing tackle for a fishing contest totaling at least \$900 during the audit year. 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.

I am not requiring that Local 2125 file an amended LM report for 2018 to correct the deficient item, but Local 2125 has agreed to properly report the deficient item on all future reports it files with OLMS.

I want to extend my personal appreciation to Auto Workers Local 2125 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Mr. Mark Ugland, Treasurer  
Mr. Shari McGraw, Recording Secretary