



December 14, 2020

Andrew Auerbach
U.S. Department of Labor
Office of Labor-Management Standards N-1519
200 Constitution Ave NW
Washington, DC 20210

Dear Mr. Auerbach:

The Department of Labor's recommended updates to the financial information labor unions report to the federal government via LM-2 forms would greatly improve transparency and accountability. Specifically, the changes proposed in the Federal Register's Notice of Proposed Rulemaking -- published on October 13, 2020 -- would help weed out corruption in the ranks of union leadership. This is particularly critical at a time when union members and the American public have seen just how entrenched corrupt practices can be within today's labor unions.

As the Center for Union Facts has documented on its website www.UAWInvestigation.com, the United Auto Workers (UAW) union has been embroiled in a high-profile federal corruption investigation for several years. Now, 12 former UAW officials, including the spouse of a former official, have been convicted. Among the guilty are two former union presidents, both of whom admitted to their role in embezzling hundreds of thousands of dollars in members' dues money for their own personal use and the use of other high-ranking officials.

According to the [Detroit News](#), the federal investigation revealed a large-scale scheme where "UAW leaders embezzled money from worker paychecks, shook down union contractors and schemed with auto executives." One top official even received \$1.5 million in kickbacks, including \$10,000 worth of cosmetic surgery for a relative. [Other leaders](#) were convicted of embezzling over \$1 million in union funds and spending it on personal luxuries, including golf outings, expensive cigars, and luxury villas. It turns out that travel expenses, including airline flights, hotel stays, and resort amenities, were some of the most egregious of the union's line

items.

Union members were also shocked to discover that, while UAW officials were under investigation for fraud and embezzlement, the union was busy constructing a 1,885-square-foot cabin for former president Dennis Williams (who has since been found guilty for his role in the scheme). The cabin was paid for [using interest](#) from the union's \$721 million strike fund, which is bankrolled by worker dues. Hypocritically, the cabin was even built with the help of [non-union labor](#) in an effort to save money.

While this scandal unfolded at the UAW, auto workers rightfully called into question the union's leadership. Members formed a Unite All Workers for Democracy movement that called for the direct election of union officials to ensure greater accountability. At a Volkswagen plant in Chattanooga, Tennessee, auto workers voted for the second time to reject the union's representation. Workers even expressed [support](#) for the U.S. Justice Department's proposal of subjecting the UAW to "10 years of federal oversight to eliminate corruption within the union."

The UAW has since reached a settlement deal with the federal government that places the union under independent monitorship for six years. While this is a promising start, the fact remains that insufficient reporting standards enabled the union to defraud its own members in the first place. In fact, the Department of Labor has since [observed](#) that "much of the illegal conduct at issue in the UAW scandal was facilitated by or concealed through false and inadequate financial reporting by union officials."

As the [Wall Street Journal](#) editorial board has pointed out, the UAW is not the only union that's been marked by scandal: "Such corrupt labor practices are widespread. The Labor Department audits unions, and in 2016 nearly one in five such inspections led to a criminal case." Clearly, the current mechanisms by which union members and government oversight bodies gauge union fiscal health and spending do not go far enough.

That's why we applaud the Department of Labor's effort to bring more transparency to union finances. However, we believe that members of mid-level unions with receipts of \$250,000 to \$7,999,999 should have the same information as those in larger unions of \$8 million and above. Therefore, the rest of our comment regarding amendments to the current LM-2 should be applied to unions with receipts of \$250,000 and above, ensuring that members of mid-level unions have the same rights as those in larger ones.

The rule includes two proposed updates in particular that, if enacted, would help mitigate corruption schemes -- including the one that took place at the UAW -- within our country's labor unions.

As recommended, unions should be required to report "indirect disbursements for travel-related expenses when payment is made" directly or through a union credit card. As it is, union travel expenses paid for directly by the union are not disclosed on LM-2 forms. This means dues-paying union members have no insight into how labor leaders are spending those union

funds. Former high-ranking officials at the UAW were able to get away with their crimes due, in part, to a lack of reporting standards surrounding union travel.

Another suggested change would update the wording for discovering a shortage of union funds from “discover” to “aware of and/or discover.” This clarification, though small, would drive more reporting on questionable financial activity, helping expose potential embezzlement schemes as early as possible.

Since the last meaningful update to our LM-2 filing standards was made more than 15 years ago, labor union finances have become even more complex. Additionally, lessons learned from the UAW scandal and other events have demonstrated that current reporting requirements do not do enough to prevent illegal conduct and abuse at the highest levels of union leadership. Moreover, the DOL’s proposed rule does not represent a significant change, meaning it is well within the DOL’s authority to implement.

In short, the current LM-2 filing requirements are sorely outdated. The DOL’s recommended changes should be finalized immediately to ensure greater accountability and minimize opportunities for fraud and embezzlement in today’s labor movement. The Center for Union Facts strongly urges the Department of Labor to move forward with the current proposed rule as soon as possible.

Sincerely,

A handwritten signature in black ink, appearing to read "Charlyce Bozzello". The signature is fluid and cursive, with a large initial "C" and "B".

Charlyce Bozzello
Center for Union Facts