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Eastern District of Michigan

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The United States Reaches a Settlement with the United Auto Workers Union to Reform the Union and End Corruption and Fraud

DETROIT – United States Attorney Matthew Schneider announced that an agreement has been reached with the United Auto Workers Union (UAW) to resolve the office's findings of fraud and corruption within the UAW.

Schneider was joined in the announcement by UAW International President Rory Gamble.

Today, the United States filed an anti-corruption and anti-fraud civil lawsuit against the UAW in federal district court seeking equitable relief to bring about reform and oversight of the union. Also today, the parties jointly filed a proposed Consent Order setting forth the terms of a settlement of the lawsuit. Under the terms of the proposed settlement, the Court would appoint an Independent Monitor who would have the authority to exercise disciplinary powers within the UAW, to investigate possible fraud or corruption within the union, and to seek discipline against UAW officers and members before a UAW Trial Committee, or before an Independent Adjudications Officer also appointed by the Court. The Monitor's oversight of the union would last for six years, with a possible early termination if the Monitor were to find that his or her work is complete and the UAW no longer needs the Monitor's services, or extension if the Monitor or the parties feel that a longer period is appropriate. Besides the Monitor, the UAW will conduct a binding and secret-ballot referendum of its membership, overseen by the Monitor and the Department of Labor, to determine whether to change the UAW's election method from the current delegate system to a direct election model, where the entire UAW membership could vote for the UAW President and the other members of the UAW's International Executive Board. Through the referendum, members would decide whether the UAW's constitution would be changed to provide for a direct election system in the union, sometimes referred to as "one member, one vote," starting in the 2022 election cycle. The parties have jointly proposed the referendum so that all of the men and women of the UAW—and not the government—can decide the method to elect the union's leaders. The costs associated with the Monitor would be borne by the UAW. The Monitor's duties would not include any involvement in the collective bargaining process or the day-to-day administration of those contracts, absent any indication of corruption or fraud. The UAW's board would continue to oversee collective bargaining negotiations and enforcement going forward.

The proposed settlement fully and finally resolves the criminal and civil investigation of the UAW as an entity. The UAW also agrees to resolve a tax investigation by making a payment of \$1.5 million to the Internal Revenue Service in connection with administrative fees that the union received from the three joint training centers that were operated with the three car manufacturers. In addition, the UAW has already paid back over \$15 million to the training centers for improper chargebacks that the union received from two of the training centers. This money will be used by joint programs for the health and safety of auto workers.

The civil complaint filed today in the United States District Court for the Eastern District of Michigan was brought pursuant to the federal civil anti-corruption and anti-fraud statute (18 U.S.C. § 1345), which was designed by Congress to empower courts to intervene and provide injunctive and equitable relief to eliminate fraud in order to serve the public interest. The civil lawsuit was not filed

pursuant to the federal anti-racketeering RICO law because the investigation by the United States did not uncover any involvement by organized crime or the mafia in the operations of the UAW. Instead, the civil complaint sets forth in detail a series of corrupt and fraudulent acts by former officers and board members of the UAW, as well as executives of Fiat Chrysler Automobiles. The criminal investigation by the United States revealed an extensive and long-lasting effort by two former UAW presidents and their underlings to embezzle over \$1.5 million in UAW money for their personal benefit through a series of fraud schemes. The investigation also uncovered a scheme by one former UAW vice president and two other high-level UAW officers to demand and accept over \$2 million in kickbacks from contractors to the joint UAW-GM training center involving multi-million dollar contracts for watches, backpacks, and jackets. The civil complaint alleges that high-level Fiat Chrysler executives paid bribes to, and engaged in embezzlement with, two former UAW vice presidents and other UAW officials amounting to over \$3.5 million. In total, fifteen UAW officials and Fiat Chrysler executives have been convicted thus far during the criminal investigation.

United States Attorney Schneider said, “The men and women of the UAW deserve honest and faithful leaders dedicated to serving the best interests of the membership. Today’s settlement provides independent oversight to investigate and eliminate corruption within the union. It also brings real democratic change to the union by giving the membership the opportunity to decide for themselves whether to institute a direct election system. I am truly thankful to President Rory Gamble for his good faith willingness to press for real reform within the union.”

UAW President Rory Gamble said, “Today’s agreement builds upon the many reforms that the UAW has initiated and put in place ourselves over the past 13 months. This civil resolution brings to a close the government’s investigation and is testament to the hard work that has been done to make the necessary structural and cultural changes.

Under our current leadership, the UAW has proactively weeded out individuals who put their personal benefit over our members’ interests and who abused their positions of trust to defraud our Union and our membership. Those individuals have been charged internally and permanently expelled from the Union.

Over the past year, the UAW’s International Executive Board has also devoted an extraordinary amount of time, attention, and resources to significantly overhauling and strengthening both our financial and ethical controls – all to ensure that no one in our Union will have the ability to repeat these misdeeds of the past.

The entire leadership of the UAW embraces the involvement of a Monitor for a period of time who will provide an extra and independent set of eyes on our Union’s financial and disciplinary processes, and provide complete assurance to our members that the reforms we have initiated take permanent root. We are committed to making the Monitor’s job a boring one, by doing everything we can to make sure there are no financial or ethical misconduct issues to monitor.

As I said upon taking office, my overriding goal is to deliver a clean, reformed and ethical union to my successor. Today’s collaborative agreement with the government ensures that we are well on our way toward achieving that goal.“

“Today’s settlement affirms the U.S. Department of Labor Office of Inspector General’s commitment to protect union workers and the financial integrity of labor organizations. We will continue to work with our law enforcement partners to root out systemic corruption and fraud involving unions,” said Irene Lindow, Special Agent-in-Charge, Chicago Region, U.S. Department of Labor Office of Inspector General.

“For unions to be effective, members must trust their leadership to do what is best for the entire union and not just for themselves. The 15 convictions obtained during this years-long investigation make it clear UAW leadership has been unworthy of its members’ trust for some time,” said Timothy Waters, Special Agent in Charge of the FBI in Michigan. “This agreement is a result of the hard work done by the FBI, IRS, Department of Labor, and the US Attorney’s Office to investigate and prosecute the leaders who were engaged in corruption at the UAW. We remain proud of that work and hope the steps announced today will create a union worthy of the hard working men and women of the UAW.”

“Today marks a new beginning for the UAW and its members,” said Sarah Kull, Special Agent in Charge of the Internal Revenue Service – Criminal Investigation’s Detroit Field Office. “The UAW’s willingness to accept oversight confirms its commitment to eliminate systemic corruption within the union and regain the trust of its members.”

“Rarely since widespread corruption among the labor movement led to multiple Congressional investigations, numerous indictments and convictions, and strict new federal laws, have there been so many indications of widespread embezzlement, kickbacks, extortion, and graft. I am pleased that the Office of Labor-Management Standards was able to help bring an end to this exploitation of hardworking union members,” said Thomas Murray, District Director, U.S. Department of Labor, Office of Labor-Management Standards. “The Office of Labor-Management Standards stands ready to assist the Monitor and the Adjudications Officer in carrying out their duties and to help usher the UAW forward into this new chapter.”

The fifteen individuals convicted of fraud and corruption crimes include former UAW Vice President Joseph Ashton (30 months in prison) former FCA Vice President for Employee Relations Alphons Iacobelli (66 months in prison), former FCA Financial Analyst Jerome Durden (15 months in prison), former Director of FCA’s Employee Relations Department Michael Brown (12 months in prison), former senior UAW officials Virdell King (60 days in prison), Keith Mickens (12 months in prison), Nancy A. Johnson (12 months in prison), Monica Morgan, the widow of UAW Vice President General Holiefield (18 months in prison), former UAW Vice President Norwood Jewell (15 months in prison), and former senior UAW official Michael Grimes (28 months). In addition, the following UAW officials have pleaded guilty and are awaiting sentencing: former UAW President Gary Jones, former senior UAW official Jeffrey Pietrzyk, former UAW Region 5 Director and UAW Board member Vance Pearson, former UAW Midwest CAP President Edward “Nick” Robinson, and former UAW President Dennis Williams.

U.S. Attorney Schneider commended the outstanding work of the Internal Revenue Service – Criminal Investigations, the U.S. Department of Labor – Office of Labor-Management Standards and Office of Inspector General, and the Federal Bureau of Investigation in conducting a comprehensive criminal investigation into labor corruption activities involving a vital sector of the local and national economy.

Topic(s):
Public Corruption

Component(s):
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