



May 3, 2023

Mr. Kevin Colon, President  
Transit Union, AFL-CIO Local 1564  
551 E 11 Mile Rd  
Ste 1D  
Madison Heights, MI 48073

Case Number: 320-6023345( )  
LM Number: 529173

Dear Mr. Colon:

This office has recently completed an audit of Transit Union Local 1564 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 Financial Secretary Antoinette Brown on April 12, 2023, 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 1564's 2021 records revealed the following recordkeeping violations:

#### 1. Reimbursed Meal Expenses and Credit Card Expenses

Local 1564 did not retain adequate supporting documentation for reimbursed meal expenses and credit card expenses, including meals charged to the union's credit card, incurred by you,

Ms. Brown, and Vice President [REDACTED] totaling at least \$3,075. For example, itemized receipts were not retained and/or the business purpose was not recorded for reimbursements to Ms. Brown totaling at least \$466 for meal expenses she incurred during 2021. As another example, 45 charges totaling \$2,490.51 made with the union's credit card throughout the audit year lacked adequate supporting documentation, including 23 charges with no receipts retained, 6 meal charges with no itemized receipts retained, and 4 meal charges that don't have the names/titles of the persons attending the meals recorded.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. Records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses. 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. Reimbursed Auto Expenses

You and Ms. Brown received reimbursement for business use of your personal vehicles but did not retain adequate documentation to support payments to you totaling at least \$16,750 during 2021. You and Ms. Brown's mileage reimbursements were claimed on expense vouchers that identified the dates of travel, locations traveled to and from, and number of miles driven; however, the vouchers were not sufficient because they failed to adequately identify the union business conducted.

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.

## 3. Disposition of Property

Local 1564 failed to retain adequate records for tote bags and Speedway gift cards it gave away during the audit period. The audit revealed that Local 1564 purchased tote bags and Speedway gift cards totaling at least \$5,415 that it gave to members as "member appreciation bags" during the audit year; however, Local 1564 did not maintain records that identified the recipients of the tote bags and gift cards that were given away.

Records must be retained which account for all union property. In the case of tote bags, gift cards, and other items sold or given away, records must be maintained to clarify and support information required to be reported by Local 1564 in Statements A (Assets and Liabilities) and B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-2).

The value of any tote bags, gift cards, or similar property on hand at the beginning and end of the year should be reported in Item 28 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the Form LM-2 report with the identity of the recipient(s) or donor of such property.

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.

#### 4. Information not Recorded in Meeting Minutes

During the audit, you and Ms. Brown advised OLMS that Local 1564's executive board authorizes disbursements, that those authorizations are disclosed to the membership at the next meeting, and that typically those authorizations are recorded in the meeting minutes and retained in the union's record. In addition, notes in the union's general ledger reference authorizations being obtained during various months of the audit year for significant purchases (e.g., Speedway gift cards and tote bags totaling \$5,415). However, no meeting minutes were retained by Local 1564 for the audit year that reference approvals for the gift cards, tote bags, and other significant purchases. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 1564 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

#### 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 Labor Organization Annual Report (Form LM-2) filed by Local 1564 for the fiscal year ended December 31, 2021 was deficient in the following areas:

##### 1. Acquire/Dispose of Property

Item 15 (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 Local 1564 gave away tote bags and Speedway gift cards (i.e., "member appreciation bags") totaling at least \$5,415 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.

## 2. Disbursements to Officers

The audit revealed that Local 1564 did not include gross salary payments (including lost time reimbursed to SMART) to Ms. Brown, [REDACTED], and Recording Secretary Monica Jordan totaling at least \$5,359 in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers), Column D (Gross Salary). Local 1564's disbursement records indicate that Ms. Brown, [REDACTED], and Ms. Jordan received gross salary (including lost time reimbursed to SMART) totaling at least \$10,597; however, the total amount reported in Column D of Schedule 11 for these three officers was \$5,238.

In addition, Local 1564 over reported reimbursements it made to you, Ms. Brown, [REDACTED], and Ms. Jordan by at least \$7,380 in the amounts reported in Schedule 11, Column F (Disbursements for Official Business). Local 1564's disbursement records indicate that you, Ms. Brown, [REDACTED], and Ms. Jordan received expense reimbursements totaling at least \$22,771; however, the total amount reported in Column F of Schedule 11 for you, Ms. Brown, [REDACTED], and Ms. Jordan was \$30,151. It is not clear what caused these over reported figures in Column F or the underreported figures in Column D previously noted above.

The union must report in Column D of Schedules 11 and 12 (Disbursements to Employees) gross salaries (before tax withholdings and other payroll deductions) of union personnel, including disbursements for "lost time" or time devoted to union activities. The union must report in Column F of Schedules 11 and 12 direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

## 3. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 1564 amended its constitution and bylaws in 2016 but did not file a copy with its LM report for that year. Local 1564 has now filed a copy of its current constitution and bylaws.

I am not requiring that Local 1564 file an amended LM report for 2021 to correct the deficient items, but Local 1564 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Credit Card Policy

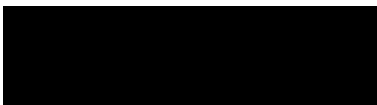
The audit revealed that Local 1564 does not have a clear policy regarding the types of expenses that may be charged to union credit cards, or the supporting documentation required to be retained for credit card charges. During the audit period, Local 1564 disbursed more than \$5,614 for union credit card charges incurred by you and Ms. Brown; however, Local 1564 has no written policy governing the use of the credit cards.

The audit revealed several purchases of what appear to be personal grocery items with the union's credit card for consumption in the union office by executive board members. These items are typically recorded with a business purpose of "office supplies" or "snacks for office." Article 14, Section 1(g) of the union's bylaws authorizes meal expenses with an allowance of \$10 per day while conducting union business. However, the union's bylaws lack any language authorizing the purchase of personal care items or "snacks."

To ensure compliance with the LMRDA, and to safeguard union assets by promoting transparency and accountability, labor organizations should establish a written policy that outlines the best practices for monitoring credit card use. OLMS recommends that unions (1) adopt clear policies and procedures for credit card use and payment, (2) maintain detailed documentation to support each credit card charge and credit card payment, and (3) regularly monitor compliance with the established credit card policies and procedures.

I want to extend my personal appreciation to Transit Union Local 1564 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 solid black rectangular box redacting the signature of the investigator.

Investigator

cc: Ms. Antoinette Brown, Financial Secretary