

U.S. Department of Labor

Office of Labor-Management Standards
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February 18, 2010

Mr. Danny Kortum, Treasurer
Transportation Union, IND.
Local 1883
1205 S. Cline Avenue
Griffith, IN 46319

LM File Number 020-927

Case Number: [REDACTED]

Dear Mr. Kortum:

This office has recently completed an audit of Transportation Union Local 1883 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 on December 18, 2009, 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 1883's 2008 records revealed the following recordkeeping violations:

1. Lost Wages

Local 1883 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees totaling at least \$15,191.29. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 1883 retained Bills of Allowance (expense vouchers) for all lost time disbursements, but of the 114 lost time disbursements made during the audit period, only 23 Bills of Allowance identified the date lost wages were incurred and none of the Bills of Allowance identified the hours that were missed from work.

On January 14, 2010, I e-mailed you a sample of an expense voucher Local 1883 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

2. Lack of Supporting Documents

Adequate supporting documentation was not retained for two American Legion hall rental disbursements totaling \$600.00.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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.

Based on your assurance that Local 1883 will maintain adequate supporting 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-3 filed by the Local 1883 for fiscal year ending December 31, 2008, was deficient in the following areas:

1. Dues Rate

Local 1883 reported a regular dues rate of \$101.00 per month in Item 23 (What are your organization's rates of dues?) with no reported minimum or maximum. The LM-3 instructions require unions to report minimum and maximum rates when more than one rate applies. A review of Winstabs member record ledgers revealed that maximum monthly dues rate was \$101.00 and the minimum was \$92.00. In addition, you confirmed during the CAP opening interview that operators/switchtenders paid dues of \$101.00 per month while towermen paid \$92.00 per month.

2. Place Where Records Are Kept

Local 1883 failed to mark Item 9 (Are your organization's records kept at its mailing address?) yes or no. Item 9 should have been marked "yes" since the records required to complete the LM-3 report are kept at the mailing address listed in Item 6.

I am not requiring that Local 1883 file an amended LM-3 report for fiscal year ending December 31, 2008 to correct the deficient items, but Local 1883 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Fixed Assets

To ensure that fixed assets are adequately reported in Item 29 (Fixed Assets), OLMS recommends that unions maintain a fixed asset inventory to track the purchase and disposal of its fixed assets. A fixed asset inventory should list the purchase date, cost, disposal date, and method of disposal.

2. Signing Blank Checks

During the audit, you advised that President Michael Pikorz signs blank checks. Your union's checking account is set up in such a manner that all checks are required to be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1883 review these procedures to improve internal control of union funds.

3. Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 1883 does not have a clear policy regarding lost time reimbursements or types of expenses personnel may claim for reimbursement while traveling on union business. The audit also revealed that Local 1883 does not have a clear policy regarding the stipend paid to trustees and others who assist in conducting their audit of union records. OLMS recommends that unions adopt written guidelines concerning such matters.

4. Electronic Backups

The audit disclosed that electronic backups of computer records are created monthly, but they are stored in the same location as the desktop computer. OLMS recommends that computer backups are stored in a secure location separate from the desktop computer that contains the electronic records.

I want to extend my personal appreciation to Transportation Union Local 1883 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: Michael Pikorz, President