



April 30, 2013

Ms. Lynette Jones, Financial Secretary
Amalgamated Transit Union, AFL-CIO
ATU Local 1625
3491 Harlem Road
Cheektowaga, NY 14225

Case Number: 120-09274-[REDACTED]
LM Number: 533-941

Dear Ms. Jones:

This office has recently completed an audit of ATU Local 1625 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 President Ron Andrzejewski, Vice President Charles Humphrey, International Vice President Chuck Watson and you on April 29, 2013, 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 1625's 2012 records revealed the following recordkeeping violations:

1. General Disbursements

Local 1625 did not retain adequate documentation for disbursements made to members for insurance premium refunds during the period reviewed. In addition, payments to Dynamic Recovery Services for the union owned copier were not sufficiently retained.

As 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.

2. Failure to Record Receipts and Dates

Local 1625 did not record receipts in a receipts record, i.e. receipts journal. The union failed to record employer dues checkoff checks and any other receipts in a record showing the amount collected and deposited to the union's bank account. All deposit slips were also not retained for the period. Union receipts records should be maintained and must include an adequate identification of all money the union receives, including the date and source of the funds.

In addition, the union only referred to the date reflected on the bank statement, the date the union deposited money, but not 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 1625 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1625's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 Local 1625 for the fiscal year ended June 30, 2012, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Local 1625 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to Local 1625 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Cash Reconciliation

The union had a negative cash balance at the beginning of the year. The union however reported zero in Item 25 (Cash) as the union's beginning cash balance. Therefore, the cash figures reported in Item 25 are not the figures according to Local 1625's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

3. Rates of Dues and Fees

Local 1625 failed to complete Item 23 (Dues and Fees) on the Form LM-3. The dues and fees established by your organization should be reported in Item 23. If more than one rate applies, enter the minimum and maximum rates.

I am not requiring that Local 1625 file an amended LM report for 2012 to correct the deficient items, but Local 1625 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Internal Financial Controls

As I discussed with you during the exit interview, the LMRDA guarantees certain rights to union members and imposes certain responsibilities on union officers. Union officers have a responsibility to manage the funds and property of the union solely for the benefit of the union and its members in accordance with the union's constitution and bylaws.

OLMS recommends that Local 1625 incorporate a series of internal financial controls over the handling of union funds to ensure protection of union member rights and enforce the responsibilities of union officers. Please refer to the enclosed OLMS publications, *Internal Financial Controls* and *Union Member Rights and Officer Responsibilities under the LMRDA*.

I want to extend my personal appreciation to ATU Local 1625 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: Mr. Ron Andzrejewski, President
Mr. Chuck Watson, International Vice President