**U.S. Department of Labor**

Employment Standards Administration
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March 28, 2007

Ms. Connie Buck, Financial Secretary
Transit Union Local 398
225 North 16th, #206
Boise, ID 83702

LM File Number: 011-905
Case Number: [redacted]

Dear Ms. Buck:

This office has recently completed an audit of Transit Union Local 398 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 March 15, 2007, 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.

## Record Keeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 398's 2005 records revealed the following recordkeeping violations:

1. Union officers failed to maintain adequate documentation for reimbursed expenses and for expenses charged to the union ATM cards. Several receipts for ATM purchases were not maintained. Some receipts for reimbursed expenses were also missing and many of the receipts that were maintained for reimbursed expenses did not identify the union purpose of the expense. Several of the receipts maintained were photocopies. Finally, there were two items that had notes claiming the amounts had been reimbursed to President Karen Newman, but there was no other corresponding documentation in the general ledger or check register by which to verify the reimbursement amounts. The union needs to maintain original receipts for all purchases and reimbursed expenses. The records kept for disbursements should include the date, amount, and business purpose of every expense.

2. Local 398 failed to maintain adequate documentation for meals paid by the union. Specifically, about half of the receipts retained were not itemized and, instead, consisted of the signature receipt for the credit/ATM card used. Such receipts only list the total amount charged to the credit card. Itemized meal receipts need to be retained and should identify the goods and services provided and the dates they were provided. In addition, most of the receipts failed to record the union purpose of the meal or those present. All receipts for meals should include the names of individuals present for meal expenses paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded.

3. Local 398 failed to maintain adequate documentation for lost wages paid to its officers. Some vouchers submitted by union officers failed to record the exact date that lost wages were incurred. In addition, many of the vouchers submitted by union personnel for lost wages did not identify the union business conducted that required lost wages to be incurred. Only three vouchers submitted for lost wages included the applicable rate of pay. Records must be maintained that identify the date, number of hours lost, rate of pay, and the specific union purpose for all lost wages.

4. Local 398 failed to maintain adequate documentation for authorized expenses. The local authorized lost wages at its membership meetings, including lost wages to be paid for union travel. The union did not record the approval for a trip to Pittsburgh for President Karen Newman. The records for other authorizations fail to note the dates that travel was authorized or the expenses authorized. Disbursement authorizations need to be precise and unequivocal. They should list who is authorized to incur the expense, the amount authorized, the union purpose for the expense, and, in the case of travel, the dates travel is authorized.

5. The union failed to maintain an accurate check register and disbursement journal. A comparison of the union's books to its cancelled checks showed that the union incorrectly recorded the dates for many checks in its records. Information recorded by the union in its check register and disbursement journal should accurately describe the information on the checks written.

6. Local 398 failed to maintain adequate records for its receipts. The local recorded total deposit amounts rather than the individual receipts received. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date the money was received, the identity of the source of the money, and the individual amount received from each source.

As agreed, provided that Local 398 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

## Reporting Violations

The CAP 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 398 for fiscal year ending December 31, 2005, was deficient in that:

1. Local 398 failed to include some reimbursements to officers in Item 24 (All Officers and Disbursements to Officers). Specifically, the local did not report the full allowance paid to President Karen Newman in Item 24 Column (E) and the union failed to report any direct reimbursements to officers in Item 24 Column (E). All direct disbursements to Local 398 officers and some indirect disbursements made on behalf of its officers must be reported 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. An "indirect disbursement" to an officer is a payment to another party (including credit card companies) 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. The names of some officers and the total amounts of payments to them or on their behalf were not reported in Item 24 (All Officers and Disbursements to Officers). Local 398 did not list several members of its executive board in

Item 24. "Officer" is defined in section 3(n) of the LMRDA and includes ". . . any member of its executive board or similar governing body." All persons who held office during the year must be reported in Item 24 regardless of whether or not they received any payments from the union.

Local 398 must file an amended Form LM-3 for fiscal year ending December 31, 2005, to correct the deficient items discussed above. I have provided you with a blank form and instructions, and discussed with you the availability of the reporting forms and instructions on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than May 3, 2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to Transit Union Local 398 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter is passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

[redacted]
Investigator

Enclosures

cc: Ms. Karen Newman, President, w/o enclosures