

U.S. Department of Labor

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December 8, 2009

Mr. Percy Daniels, Treasurer
Transit Union AFL-CIO
Local 517
852 Georgia Street
Gary, IN 46402

LM File Number 022-452

Case Number: [REDACTED]

Dear Mr. Daniels:

This office has recently completed an audit of Transit Union Local 517 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 President Stephen Mitchell on May 19, 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 517's 2007 records revealed the following recordkeeping violation:

1. Lack of Supporting Documents

Adequate supporting documentation was not retained for grievance related expenses that were incurred by Local 517 during the audit year. Specifically, Local 517 failed to retain approximately 29 invoices from a law firm that totaled approximately \$36,823.00.

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 517 will retain adequate supporting documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

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 517 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Number of Members

Item 19 (How many members did your organization have at the end of the reporting period?) was reported as 112; however, a review of union receipt records revealed that the local only had approximately 84 dues paying members at the end of the year. The Form LM-3 instructions states that Item 19 needs to include all categories of members who pay dues at the end of the reporting period.

2. Dues Rate

Local 517 reported a dues rate of \$39.15 per month in Item 23 (What are your organizations rates of dues and fees?) even though union members were charged three different dues rates during the year: \$25.00 per month (Michigan City, Indiana,

members), \$42.60 per month (Gary Public Transportation Corporation [GPTC] members - January thru May 2007), and \$43.90 per month (GPTC members - June thru December 2007).

3. Accounts Payable

Local 517 reported \$5,452.00 in Item 32(c) (Start of Reporting Period Accounts Payable) and \$6,087.00 in Item 32(d) (End of Reporting Period Accounts Payable) even though approximately \$2,274.00 and \$31,754.00 should have been reported in Items 32(c) and 32(d), respectively. It appears that Local 517 miscalculated the number of invoices that were paid at the start and end of the year. The instructions for Form LM-3 state that the union needs to enter the total amount of the organization's accounts payable at the start and end of the reporting period in Items 32(c) and 32(d), respectively.

4. Miscategorization of Disbursements

Local 517 appears to have reported part of the \$2,520.00 that was spent on meeting hall rental fees in Item 54 (Other Disbursements) even though all such disbursements should have been reported in Item 48 (Office & Administrative Expense). In addition, Local 517 reported a \$101.00 lost wage disbursement in Item 46 (Cash Disbursements to Employees) even though the \$101.00 disbursement should have been recorded in Item 24(d) (All Officers and Disbursements to Officers - Gross Salary) since the Michigan City, Indiana, grievor is a member of the Executive Board. Further, Local 517 appears to have reported \$952.00 in union officer reimbursements in Item 54 (Other Disbursements) even though such disbursements should have been reported in Item 24(e) (All Officers and Disbursements to Officers - Allowances and Other Disbursements).

Local 517 must file an amended Form LM-3 for fiscal year ending December 31, 2007, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available 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 June 26, 2009. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you and President Stephen Mitchell, the audit revealed that Local 517 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Duplicate Receipts

Members of Local 517 who are employed by the municipality of Michigan City, Indiana, pay initiation fees directly to the union. In addition, retired members pay dues directly to the union. Mr. Daniels records dues payments in the union's receipts journal, but he does not issue receipts to dues payers. OLMS recommends that Local 517 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to Transit Union Local 517 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: Stephen Mitchell, President