



August 16, 2010

Mr. Micheal Hale, Secretary-Treasurer  
Transit Union, AFL-CIO  
Local Division 1070  
1501 West Washington Street  
Indianapolis, IN 46222

Case Number: [REDACTED]  
LM Number: 023036

Dear Mr. Hale:

This office has recently completed an audit of Transit Union, AFL-CIO Local Division 1070 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, President Joyce Ledell, and Vice President Roy Luster on August 5, 2010, 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 Division 1070's fiscal year 2009 records revealed the following recordkeeping violation:

1. Receipt Dates not Recorded

Entries in Local 1070's receipts records reflect the date the union deposited money, but not the date money was received. Union receipts records must show 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 Form LM-2. The LM-2 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 1070 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

#### Reporting Violation

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 Form LM-2 Labor Organization Annual Report filed by Local 1070 for its fiscal year ending December 31, 2009, was deficient in the following area:

##### 1. Failure to Itemize Disbursements

Local 1070 did not properly report a number of "major" transactions in Schedule 18 (General Overhead). A major transaction includes any individual transaction of \$5,000 or more, or total transactions to or from any one entity or individual that aggregate to \$5,000 or more during the reporting period and that cannot be properly report elsewhere in Statement B. For example, the audit found that the union's legal fees, payments to arbitrators, and payroll taxes aggregated to more than \$5,000 during the reporting period but were not individually itemized in Schedule 18.

I am not requiring that Local 1070 file an amended Form LM-2 for 2009 to correct the deficient items, but the union has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Violation

##### 1. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the liquid assets (e.g. cash in banks) plus total receipts handled by those individuals or their predecessors during the preceding fiscal year.

The audit revealed that Local 1070's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate

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bonding coverage during the audit and provided evidence of this to OLMS. As a result, OLMS will take no further enforcement action regarding this issue.

I want to extend my personal appreciation to Local 1070 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,



Investigator

cc: Ms. Joyce Ledell, President