



July 25, 2013

Mr. Robert W. Guy, State Director  
Transportation Union, Illinois State Legislative Board  
8 S. Michigan Ave.  
Suite 2006  
Chicago, IL 60603

Case Number: 310-23546 [REDACTED]  
LM Number: 010340

Dear Mr. Guy:

This office has recently completed an audit of Transportation Union (UTU), Illinois State Legislative Board 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 Officer Manager Tina O'Brien on July 19, 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 UTU Illinois State Legislative Board's 2011 records revealed the following recordkeeping violations:

### Lack of Salary Authorization

The UTU Illinois State Legislative Board (Board) did not maintain records to verify that the salaries (daily rates) reported in Schedules 11 (All Officers and Disbursements to Officers) of the LM-2 was the authorized amount and therefore was correctly reported. Although the compensation allowances for the officers of the Board were documented in the Board's 2008 bylaws, the allowances subsequently adjusted multiple times due to national and COLA wage increases. You reported that the new rates were incorrectly relayed by the UTU International Union verbally to the Board employees and officers. This resulted in the assistant legislative director claiming an inflated allowance rate during the audit period, albeit a *de minimus* value totaling less than \$60 over the course of the year.

Likewise, the Board did not maintain records to verify that salary paid to Office Manager Tina O'Brien as reported in Schedule 12 (Disbursements to Employees) of the LM-2 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that the UTU Illinois State Legislative Board will retain adequate 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(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Bylaws for the UTU Illinois State Legislative Board were not filed with OLMS. Copies of the Board's bylaws for 2008 and 2012 have now been filed. If amendments are made to the bylaws in the future, a copy should be filed with your organization's LM report the year the changes are adopted.

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-2 filed by UTU Illinois State Legislative Board for the fiscal year ended December 31, 2011, was deficient in the following areas:

#### 1. Individuals Improperly Identified as Officers

The UTU Illinois State Legislative Board listed individuals on Schedule 11 (All Officers and Disbursements to Officers) who were not officers during the audit year. For example, [REDACTED] is listed as the Assistant State Legislative Director, but Ciemney did not hold an officer position at any time during the audit year. [REDACTED] was elected Assistant State Legislative Director in February 2012 and therefore should not appear in Schedule 11 for fiscal year ended December 31, 2011.

The LM-2 instructions provide that Schedule 11 should include all officers whether or not any salary or other disbursements were made to them or on their behalf by the labor organization. Schedule 11, Column C, requires that the union report the status of each officer: “N” for a new officer who took office during the reporting period; “P” for a past officer who was not in office at the end of the reporting period; or “C” for a continuing officer who was in office before the reporting period and was still in office at the end of the reporting period.

## 2. Failure to Report Disbursements to Employees

The UTU Illinois State Legislative Board did not include some reimbursements or payments to employees in Schedule 12 (Disbursements to Employees). During the audit period, at least 23 legislative representatives were paid for work conducted on behalf of the Board. None of these disbursements were reported in Schedule 12. It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Schedule 12 disbursements to individuals other than officers who received wage payments even if the labor organization does not otherwise consider them to be employees. Per the LM-2 instructions, the union must report in Columns (D) through (G) on the “Total Received By All Other Employees Making \$10,000 Or Less,” the totals of all gross salaries, allowances and other disbursements for all employees of the labor organization not required to be named elsewhere in the schedule.

## 3. Failure to Report Deductions

The UTU Illinois State Legislative Board did not properly report payroll deductions withheld for officers and employees in Statement B, Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). In fact, \$0 deductions were reported on the LM-2 form. This inadequately reflects the union’s disbursements as IRS Forms W-2 provided by the UTU International Union indicate that nearly \$40,000 was withheld from the wages issued to officers and employees in 2011. Per the LM-2 instructions for Schedules 11-12, column H, the union must report the total amount of withheld taxes, payroll deductions, and all other deductions on the “Less Deductions” line.

## 4. Failure to Report a Receipt

The UTU Illinois State Legislative Board did not report insurer rebate checks totaling \$291 in Schedule 14 and Statement B, Item 48, Other Receipts. The audit found that the only receipts reported in Statement B were for dues collected (Item 36). However, in October 2011 the union received two reimbursement checks totaling \$291 from QBE – McCutcheon Agency. The checks only appeared as credited expenses in the union’s monthly financial reports.

The union must report in Schedule 14, Other Receipts, the organization's receipts from all sources during the reporting period, other than those that must be reported elsewhere in Statement B. This includes all receipts relating to this schedule from payers who did not provide a single receipt of \$5,000 or more or receipts that aggregated \$5,000 or more.

5. Failure to Report the Purchase of Fixed Assets

The UTU Illinois State Legislative Board did not properly report in Schedule 4 (Purchase of Investments and Fixed Assets) details of the purchase of fixed assets during the reporting period. During the audit year, the union purchased a new computer and printer at a cost of approximately \$1,600 but no assets were reported as purchased. The union must identify the type and value of any asset purchased per the LM-2 instructions for Schedule 4.

6. Failure to Accurately Report Disbursements, Donations

The UTU Illinois State Legislative Board did not properly report a “major” transaction in Schedule 17 (Contributions, Gifts & Grants). A “major” transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. On Schedule 17 the union accurately reported a single donation of \$5,000 on March 29, 2011 to the UTU Collective Bargaining Defense Fund. However, the audit found that a second \$1,000 donation was made to the same entity on August 12, 2011; this should be reported as a non-itemized disbursement to this payee on the “Total Non-Itemized Transactions with this Payee/Payer” line on Schedule 17.

Further, the audit found that \$5,430 in disbursements were made to multiple entities throughout the audit year which are categorized as “Donations” in the union’s financial records. The union must enter the total amount of all other transactions which constitute “Contributions, Gifts and Grants” to other payees during the reporting period on Line 5 of Schedule 17. This is the total from your organization’s books of all disbursements made to payees who did not have a single disbursement of \$5,000 or more or disbursements that aggregated \$5,000 or more.

7. Failure to Itemize Disbursement, General Overhead (Rent)

The UTU Illinois State Legislative Board did not properly report a “major” transaction in Schedule 18 (General Overhead). On Schedule 18 the union reported a non-itemized transactions totaling \$5,237 to 8 S. Michigan LLC categorized as “Light & Power”. The audit found that the union paid approximately \$30,000 to 8 S. Michigan LLC during the audit period as rent for the union’s office suite (approximately \$2,500 per month). As noted, a “major” transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. This includes the union’s rent payments to 8 S. Michigan LLC.

The UTU Illinois State Legislative Board must file an amended Form LM-2 for the fiscal year ended December 31, 2011 to correct the deficient items discussed above. As previously noted, however, the matters listed above are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope. Due to the extent of the errors found with such a limited review, you should reassess the report in its entirety. The report must be filed

electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). The amended Form LM-2 must be filed no later than August 28, 2013. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Issues

Fidelity Bond

The UTU Illinois State Legislative Board reported \$75,000 in Item 14 (Fidelity Bond) of the LM-2 as the maximum amount recoverable under the labor organization's fidelity bond, indicating that the union was under bonded. The audit revealed that the union has amended the coverage in 2012 to provide that all persons subject to the requirements of the LMRDA are covered for at least 10% of the funds handled during the union's preceding fiscal year up to a maximum of \$500,000. No further action is required regarding the bonding coverage.

I want to extend my personal appreciation to Transportation Union, Illinois State Legislative Board 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