



March 26, 2016

Ms. Robin Blanton, Acting President
Dean Transportation Employees Union, IND
307 Packard Hwy.
Charlotte, MI 48813

Case Number: 320-6006357 [REDACTED]
LM Number: 530874

Dear Ms. Blanton:

This office has recently completed an audit of the Dean Transportation Employees Union (DTEU) 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 Treasurer David Cook, Secretary Barbara Forest, acting Vice President Richard Calkins, [REDACTED] and Accountant Duane Timmer on December 30, 2015, 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 the union's 2014 records revealed the following recordkeeping violations:

1. Receipt Dates Not Recorded

Entries in the union's QuickBooks general ledger for all receipts either reflected the date the union deposited money, the date the receipt was entered in the general ledger, or a

random date one-to-two days before or after the deposit date; however, none of the entries reflected the actual date the 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-3. The Form 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.

2. Failure to Maintain Employer Checkoff-Related Records

The union failed to maintain some employer checkoff stubs and some deposit slips for receipts totaling \$5,898 from Dean Transportation that were deposited into the union's checking account. Those types of records must be maintained by the union for five years.

3. Reimbursed Officer Expenses

The DTEU did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$583. For example, supporting documentation was not retained for a \$44.50 reimbursement to former [REDACTED] on February 22, 2014, for mailing the DTEU's 1099 forms. As another example, adequate supporting documentation was not retained for \$292.24 of the \$493.76 that was paid to former [REDACTED] on September 4, 2014, by check [REDACTED] for reimbursement of office supplies and ink. In support of this payment, the DTEU retained the check stub, expense voucher, and receipts supporting only \$201.52 of the \$493.76 that was paid to [REDACTED], which is not sufficient.

Furthermore, former [REDACTED] received reimbursement for the business use of his personal vehicle, but did not retain adequate documentation to support payments to him totaling at least \$249 during the audit period. For example, supporting documentation was not retained for a \$204.80 mileage reimbursement to [REDACTED] on November 25, 2014, for an unknown purpose. The union must maintain records that identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses. During the exit interview, I provided the DTEU with a copy of the OLMS Compliance Tip *Reimbursed Travel Expense Payments* for further guidance on this matter.

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.

4. Wage Payments

The DTEU did not retain adequate documentation for wage payments, which Mr. Cook stated are payments to officers and committee members for conducting union business, to ██████████ totaling at least \$5,336. The audit found that the DTEU retained vouchers in support of ██████████ wage payments that typically identified the dates wages were incurred, the time he started working for the union, the time he stopped working for the union, and the number of hours worked on each date; however, an adequate description of the union business conducted was not provided on the vouchers ██████████ submitted to the DTEU for reimbursement. For example, ██████████ routinely recorded "Time in Union Office" on his vouchers, which does not sufficiently describe the union business being conducted.

Records must be maintained in support of wage payments that identify each date wages were incurred, the number of hours worked on each date, the applicable rate of pay, and a description of the union business conducted. OLMS also recommends that the voucher include the beginning and ending times of the hours lost each day so that the union can compare the claim to employer payroll records to verify the number of hours lost.

5. Fixed Assets

The DTEU failed to maintain any records that identified its fixed assets. The Form LM-3 filed by the DTEU for 2014 reported fixed assets of \$6,291 at the start and end of the year. During the audit, Mr. Cook and Ms. Forest advised that the DTEU does not keep an inventory list of its fixed assets, which includes a laptop computer, desktop computer, chairs, a printer/copier, and some filing cabinets. Mr. Cook agreed that the union would create such an inventory and maintain the list by adding new purchases, removing old equipment that has been sold, donated, or destroyed, and recording the cost and depreciation of each asset.

In the case of fixed assets, the local must maintain an inventory or other similar record(s) identifying each fixed asset and the cost and depreciation of each fixed asset. Such records are required to be retained to verify, clarify, and support information required to be reported in Item 29 (Fixed Assets) of the Form LM-3.

Based on your assurance that the DTEU 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 violations 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 the DTEU for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Total Receipts and Disbursements Over-Reported

The audit revealed that the DTEU had total receipts of \$72,079 recorded in QuickBooks and on its bank statements during the fiscal year. However, the DTEU reported total receipts of \$84,900 in the Cash Receipts section of Statement B (Receipts and Disbursements). Similarly, the audit revealed that the DTEU disbursed funds totaling \$86,390; however, the DTEU reported total disbursements of \$93,867 in the Cash Disbursements section of Statement B. It appears that part of the discrepancy can be attributed to the union erroneously reporting fund transfers from its savings and money market accounts to its checking account as receipts and disbursements, thereby resulting in total receipts and total disbursements being over-reported in Statement B. During the exit interview, Mr. Cook confirmed that the DTEU recorded fund transfers as receipts and disbursements on its LM report.

As noted in the LM-3 instructions, the purpose of Statement B is to report the flow of cash in and out of your organization during the reporting period. Transfers between separate accounts do not represent the flow of cash in and out of your organization and should not be reported as receipts and disbursements of your organization.

2. Cash at the Beginning and End of the Year

The DTEU's general ledger shows that the balance of all the union's cash accounts totaled \$27,761 at the beginning of the year and \$13,368 at the end of the year; however, the DTEU reported \$23,598 in Item 25(A) (Cash at Start of Reporting Period) and \$14,631 in Item 25(B) (Cash at End of Reporting Period). During the audit, Mr. Cook stated that he was aware that the cash balances reported on the LM-3 for the beginning and the end of the year were not accurate because Mr. Cook suspected that the QuickBooks figures used to determine the reported balances were incorrect.

The LM-3 instructions for Item 25 state that all of your organization's cash on hand and on deposit at the start and end of the reporting period must be reported in Item 25(A) and Item 25(B), respectively. Cash on hand includes un-deposited cash, checks, and money orders; petty cash; and cash in safe deposit boxes. Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money market accounts. Also to be included is any interest credited to your organization's accounts during the reporting period. The union should obtain account balances from its books as reconciled to the balances shown on bank statements.

3. Disbursements to Officers

The audit revealed that the DTEU erroneously reported payments totaling \$22,075 to 33 union stewards and union representatives in Item 24 (All Officers and Disbursements to

Officers). Union stewards and union representatives are not officers according to Article 5, Section A of the DTEU Constitution (2015). Disbursements to individuals other than officers who receive lost time payments, stipends, allowances, reimbursed expenses, etc., for conducting union business must be reported in Item 46 (Disbursements to Employees) even if your organization does not consider them to be employees or does not make any other direct or indirect disbursements to them.

Most direct disbursements to DTEU officers and some indirect disbursements made on behalf of its officers must be reported in Item 24. Most direct disbursements to DTEU employees and some indirect disbursements made on behalf of its employees must be reported in Item 46. A "direct disbursement" to an officer/employee is a payment made to an officer/employee in the form of cash, property, goods, services, or other things of value. See the instructions for Items 24 and 46 for a discussion of certain direct disbursements to officers/employees that do not have to be reported in Items 24 and 46. An "indirect disbursement" to an officer/employee 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/employee. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel for room rent only) 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).

I required the DTEU to file an amended Form LM-3 for the fiscal year ended December 31, 2014, to correct the deficient items discussed above. After filing five amended reports that did not correct all of the deficient items identified above, the DTEU filed an amended Form LM-3 on March 11, 2016 that did.

Other Violation

The audit disclosed the following other violation:

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 total funds those individuals or their predecessors handled during the preceding fiscal year. The audit revealed that the DTEU's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the DTEU obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issues

1. Overpayment of Reimbursed Mileage

The audit revealed that on November 13, 2014, the DTEU overpaid [REDACTED] for mileage she incurred for travel to work between the dates of September 25 and October 30, 2014. A review of the DTEU's records revealed that [REDACTED] was reimbursed a total of \$215.08 for mileage; however, information provided on the reimbursement voucher showed that the total reimbursement for 318 miles at the rate of \$0.56 per mile should have been \$178.08. During the exit interview, Mr. Cook could not provide an explanation for the overpayment.

OLMS recommends that unions: (1) adopt a clear policy on reimbursed expenses; (2) establish what documentation is needed for an official to be reimbursed; and (3) establish a procedure that provides for review and approval of expense claims. Careful review of expense vouchers can help ensure adequate internal controls and safeguard union assets.

2. Policy for Wage Payments

During the opening interview, Mr. Cook advised that officers and employees may be compensated for conducting union business for the DTEU during work hours and working on union business during personal time. The authorization for this compensation can be found in Article 11, Sections A-B of the DTEU Constitution, which state:

“Members will be compensated for work performed by attending Executive Board meetings, performing duties as a Steward/representative and/or for performing other Union duties not normally required of a member (e.g. Committee work .) Members may be compensated for loss of bus run time while performing Union duties.

Rate of compensation shall be sixteen (\$16.00) dollars per hour.”

Mr. Cook stated that it is the DTEU's policy to pay officers, employees, and members at a rate of \$16.00 an hour when they work on union business, whether wages are lost at Dean Transportation (lost time) or not (lost personal time).

During the audit year, [REDACTED] was paid at least \$7,709 by the DTEU for conducting union business. As mentioned above, this pay was typically documented on vouchers that identified the date the work was performed, the start time, the end time, and the amount of hours worked. A comparison of [REDACTED] payroll records from Dean Transportation with his vouchers showed that he was paid nine hours totaling approximately \$144 by the DTEU for periods of time that he was also paid by Dean Transportation. During the exit interview, Mr. Cook, Ms. Forest, [REDACTED], and [REDACTED] stated that they were not surprised that [REDACTED] was paid by both the DTEU and Dean Transportation for the same periods of time, which is prohibited by the collective bargaining agreement between

the DTEU and Dean Transportation. Mr. Cook, Ms. Forest, [REDACTED], and [REDACTED] stated that they most likely would not take action against [REDACTED] as the total amount of the discrepancy is only \$144; however, if the executive board or membership determine that [REDACTED] is required to repay the \$144, then I would appreciate if you would provide evidence of that payment to me.

As discussed at the exit interview, the DTEU policy described in Article 11, Sections A-B of the DTEU Constitution is not clear that officers, employees, and members are not authorized to claim wage payments for hours that they work at and are paid for by Dean Transportation, nor is it clear that this policy is meant to apply to officers and employees. OLMS recommends that the DTEU modify the written policy for wage payments in the union's constitution to explicitly state that 1) the DTEU will not pay wages for hours that are also paid by Dean Transportation and 2) that Article 11, Sections A-B apply to the union's officers, employees, and other representatives.

3. Unrecorded or Inaccurately Recorded Receipts

The audit revealed that the DTEU did not record all monies it received during the audit year in its QuickBooks general ledger. For example, the DTEU did not record in its general ledger a \$1,684.50 dues checkoff check from Dean Transportation that was deposited on April 4, 2014. In addition, the audit also revealed that the DTEU failed to accurately record the amounts of some receipts in union records during the audit year. For example, the DTEU under-recorded the total of two deposits made in September and November 2014 by \$105 when they were entered in QuickBooks. According to the DTEU bank statements, the total of the September and November 2014 deposits was \$2,490.50, but the total of the two deposits entered in QuickBooks was only \$2,385.50.

OLMS recommends that all union receipts should be entered in the DTEU's receipts journal. In order to avoid the filing of deficient reports with OLMS, the receipts journal must contain accurate and complete entries if the union utilizes it to compile its LM report.

4. Unrecorded or Inaccurately Recorded Disbursements

The audit revealed that the DTEU failed to record or inaccurately recorded at least 27 disbursements totaling \$4,011.79 in the QuickBooks disbursements journal. For example, the DTEU failed to record in the disbursements journal 12 disbursements totaling \$1,650.65 to AT&T for Internet and phone service that appear on the union's bank statements. As another example, check [REDACTED], issued on August 6, 2014, to Work Rights Press, Inc., was entered in the QuickBooks disbursements journal as \$281; however, a review of the union's bank statements revealed that this check cleared for \$95.20.

OLMS recommends that unions routinely reconcile all checking accounts to ensure that all disbursements are properly reflected in union records and there are proper internal financial controls over disbursements. All union disbursements should also be entered in the

DTEU's disbursements journal. In order to avoid the filing of deficient reports with OLMS, the disbursements journal must contain accurate and complete entries if the union utilizes it to compile its LM report.

I want to extend my personal appreciation to the DTEU 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. David Cook, Treasurer
Ms. Barbara Forest, Secretary
Mr. Duane Timmer, CPA