

U.S. Department of Labor

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November 21, 2008

Mr. Philip Hess, Financial Secretary- Treasurer
Transit Union AFL-CIO
Local 956
1060 Lehigh Street, Suite 300
Allentown, PA 18103

LM File Number 015-802
Case Number: [REDACTED]

Dear Mr. Hess:

This office has recently completed an audit of Transit Union Local 956 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 President Thomas Bohner, Recording Secretary David Ziegler, and you on November 19, 2008, 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 956's 2007 records revealed the following recordkeeping violations:

1. Credit Card Expenses

Local 956 did not retain adequate documentation for credit card expenses incurred by President Thomas Bohner and you totaling at least \$4,532.49. For example, supporting documentation was not maintained for various office supplies purchases at STAPLES, gas purchases, and various meal expenses.

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.

2. Meal Expenses

Local 956 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$272.02. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 956 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, on October 16, 2007 the local spent approximately \$90.30 at Denny's restaurant in Allentown, PA. Although the local did maintain the restaurant receipt, the union purpose and list of attendees was not documented. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Expense Policy

As discussed during the exit interview, the audit revealed that Local 956 did not produce a record that supports the approval of monthly allotted expenses to President Bohner (\$40) and you (\$55). OLMS recommends that unions adopt written guidelines concerning such matters.

Based on your assurance that Local 956 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(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 956 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Disbursements to Officers

Local 956 did not include some reimbursements to officers totaling approximately \$272.02 (the amount incurred on the local's credit card for meal expenses) in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office & Administrative Expense).

The union must report most direct disbursements to Local 956 officers and some indirect disbursements made on behalf of its officers 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. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer 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. 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. Failure to File Bylaws

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. Local 956 amended its constitution and bylaws in 2003, but did not file a copy with its LM report for that year.

Local 956 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 956 file an amended LM report for 2007 to correct the deficient items, but Local 956 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Fixed Asset Inventory

The audit revealed that Local 956 does not maintain a fixed asset inventory. A fixed asset inventory should be maintained to identify each asset, the value of each asset and to document the purchase, sale or distribution of each asset. During the fiscal year ending December 31, 2007, the local purchased union logo hats for \$800. Although the union maintained the invoice associated to this purchase, no inventory list was maintained. OLMS recommends that unions establish and maintain a fixed asset inventory to adequately account for all property that is purchased, sold or given away.

I want to extend my personal appreciation to Transit Union Local 956 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,



Mr. Philip Hess
November 21, 2008
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Investigator

cc: Thomas Bohner, President