



September 18, 2013

Ms. Dorothy Maki, Acting President  
Amalgamated Transit Union Local 1005  
312 Central Avenue SE  
Suite 345  
Minneapolis, MN 55414

Case Number: 330-08861 [REDACTED]  
LM Number: 543977

Dear Ms. Maki:

This office has recently completed an audit of Amalgamated Transit Union Local 1005 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 Recording Secretary Mark Lawson and Financial Secretary-Treasurer Tommy Bellfield on September 18, 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 Local 1005's 2012 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 1005 did not retain adequate documentation for credit card expenses incurred by you,

Former President [REDACTED] Treasurer Bellfield, Former Recording Secretary [REDACTED] or Recording Secretary Mark Lawson. Further, officers and employees were reimbursed for expenses for which they did not retain adequate supporting documentation.

#### Holiday Gas Credit Cards

During the audit [REDACTED] advised that full time officers are assigned a Holiday gas credit card to use to charge gas for their personal vehicles. A review of the local's credit card statements show that Local 1005's officers charged \$7,524.11 to the Holiday credit cards in 2012. However, receipts were only maintained for some of the charges incurred by Mr. Bellfield. At least \$6,467.10 of the expenses charged to the Holiday gas credit cards were not supported with a receipt. [REDACTED] indicated during the audit that she was not aware that receipts were required to be kept for every union credit card expense.

#### MasterCard Expenses

Credit card statements for the MasterCard assigned to Mr. Bellfield show he incurred expenses totaling at least \$40,193.34 for airfare, lodging, food, and office supplies. However, basic receipts and information was not retained for at least 78 expenses totaling about \$28,699.65. For example, on March 11, 2012, two charges were made to the Westin Hotel in San Diego, CA in the amounts of \$1,537.53 and \$1,489.53 for [REDACTED] and Mr. Bellfield's lodging to attend an Amalgamated Transit Union (ATU) conference. However, the expenses were supported by reservation confirmation emails but not the original hotel receipts. As another example, an expense was incurred at Union Communication SE in the amount of \$569, but no records were retained that identify the item(s) purchased or the union business purpose of the expense. In addition, a few restaurant charges to the union's MasterCard were supported by original itemized receipts, but rarely was there any notation in the union's records of what union business was conducted for the meals to be incurred.

#### Reimbursed Expenses

Officers and employees were reimbursed for food, lodging, airfare, and office supplies, but failed to retain adequate supporting documentation for expenses totaling at least \$3,543.93. Although the expenses were identified on expense vouchers, the original receipts were not retained. For example, [REDACTED] was reimbursed \$742.94 to stay at the Comfort Inn and Suites to attend the ATU Midwest Conference in Sioux City, IA. However, the only record retained by Local 1005 in support of the expense was the confirmation email for the reservation; the original receipt from the stay was not retained.

In the case of meal expenses, records retained 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, and itemized receipts must be retained to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. The president

and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

As 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. Disposition of Property

Local 1005 disbursed more than \$22,567 for jackets, polo shirts, t-shirts, hooded sweatshirts, and other apparel. Apparel was given away at union meetings, as retirement gifts, at the summer picnic, and some was resold to members. However, Local 1005 did not maintain an inventory of the property it purchased, sold, or gave away. During the audit, [REDACTED] stated that Local 1005 did not have inventory record, that she knew she should keep one, and that you were in the process of making an inventory record. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 (Other Assets) of the Labor Organization Annual Report (Form LM-2). Further, the union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28 regarding items that are disposed of in a manner other than by sale.

## 3. Lack of Authorization for Time and Expense Checks

Local 1005 did not maintain records to verify that the salaries and allowances reported in Schedules 11 (Disbursements to Employees) of the LM-2 were the authorized amounts and were therefore correctly reported.

The audit revealed that officers receive monthly salaries between 126.3 percent and 132.5 percent of Metro Transit's top hourly rate of pay from wage class 49. The salaries are identified in Section 101 of the union's bylaws. In addition, Mr. Belfield stated that the officers receive additional compensation through taxable allowances that are not intended to reimburse them for any specific expenses. The allowance payments are referred to as "time and expense" checks, and the officers receive (one check each pay period) totaling between \$120 and \$180 per month. However, the authorization for the "time and expense" allowances could not be found in any union records. The union must retain a record, such as bylaws or meeting minutes, to show the current compensation authorized by the entity or individual in the union with the authority to establish salaries and similar compensation.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1005's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to

\$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

This office is available for any compliance assistance guidance you may need in addition to that which you may receive from your own staff counsel, outside legal counsel, and outside professional accounting services.

Based on your assurance that Local 1005 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations. However, Local 1005's records will be reviewed by OLMS again within the next year to ensure that the recordkeeping violations noted above have been corrected.

### 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-2) filed by Local 1005 for the fiscal year ended December 31, 2012, was deficient in the following areas:

#### 1. Acquire/Dispose of Property

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because Local 1005 gave away jackets, polo shirts, t-shirts, hooded sweatshirts, gift cards, and various electronics at union meetings, retirement parties, and the summer picnic totaling more than \$25,000 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

#### 2. Credit Card and Reimbursed Expenses

As noted above, the audit revealed that full time officers were assigned Holiday gas credit cards and one officer is assigned a MasterCard, but Local 1005 did not include some credit card expenses or reimbursements to full time officers and some employees in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). As an example, the credit card statements show that the full time officers of Local 1005 incurred \$7,524.11 in expenses on the gas credit cards assigned to them and no payments were reported next to their names in Column F (Disbursements for Official Business) of Schedule 11. The payments were erroneously reported in Schedule 15 (Representational Activities). Additionally, the general ledger

shows that you, [REDACTED] Mr. Bellfield, Mr. Lawson, and Former Recording Secretary [REDACTED] were directly reimbursed by Local 1005 for at least \$13,807 for travel expenses, mileage, and food expenses. However, the payments were not reported in Column F of Schedules 11 or Schedule 12 of the LM-2.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

### 3. Withheld Taxes/Payroll Deductions (Schedules 11 and 12)

Local 1005 failed to report any deductions (including tax withholdings) from officer salaries and other disbursements in Schedule 11 and Schedule 12. As a result, the total amount of the payments was incorrectly reported on Line 9 (Net Disbursements) at the bottom of Schedules 11 and 12. As noted in the LM-2 Instructions, the total amount of withheld taxes, payroll deductions, and all other deductions are to be entered on Line 8 (Less Deductions) of Schedules 11 and 12. The LM-2 filing software subtracts the amount reported on Line 8 from the amount reported on Line 7 (Total Officer Disbursements), and enters the difference on Line 9.

### 4. Failure to Itemize Disbursements

Local 1005 did not properly report several “major” transactions totaling at least \$66,929 in Schedules 15-19 of the LM-2. 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. The audit found that several vendors received more than \$5,000 and were not reported on itemization pages in Schedules 15-19. It appears that the transactions were erroneously reported on the Detailed Summary Page for Schedules 15-19 in Line 5 (All Other Disbursements).

As discussed above, payments to the Holiday Fleet Card were erroneously reported on an itemization page in Schedule 15. As noted in the LM-2 instructions for Schedules 14 through 19, disbursements to credit card companies may not be reported as a single disbursement to the credit card company as the vendor. Instead, charges appearing on the credit card bills paid during the reporting period must be allocated to the recipient of the payment by the credit card company.

5. 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 1005 amended its constitution and bylaws on March 14, 2013, but did not file a copy with its LM report for that year.

Local 1005 must file an amended Form LM-2 for the fiscal year ended December 31, 2012, to correct the deficient items discussed above. 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 October 9, 2013. Before filing, review the report thoroughly to be sure it is complete and accurate.

I want to extend my personal appreciation to Amalgamated Transit Union Local 1005 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. Tommy Bellfield, Financial Secretary-Treasurer  
Mr. Mark Lawson, Recording Secretary