



September 17, 2015

Mr. Luis Sanchez, Treasurer  
Transport Workers Local 571  
P.O. Box 66764  
Chicago, IL 60666

Case Number: 310-6003670( )  
LM Number: 533-784

Dear Mr. Sanchez:

This office has recently completed an audit of Transport Workers Local 571 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 on September 3, 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 Local 571's 2013 records revealed the following recordkeeping violations:

#### 1. General and Credit Card Expenses

Local 571 did not retain adequate supporting documentation for at least four disbursements by check totaling approximately \$7,739.00. In addition, the union failed to retain adequate supporting documentation for at least seventeen credit card expenses incurred by union officers totaling approximately \$8,815.00. For example, check # [REDACTED] for \$2,549.00

payable to A&G Fresh Market, check # [REDACTED] for \$3,700.88 payable to Popeye's Chicago, credit card transaction for \$1,514.76 at Springhill Suites Chicago, and credit card transaction for \$1,975.44 at Ivy League Baseball did not have backup documentation to support the expenses.

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. Officer Meal Expenses

Union officers did not submit itemized receipts for meal expenses totaling at least \$1,250.00. 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 571 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, a receipt for a \$117.04 credit card transaction at Spuntino's Restaurant did not include the purpose of the charge or names of the attendees. 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. Receipts and Disbursements Journals

Local 571 did not maintain a receipts journal and did not maintain a complete disbursements journal. Unions should retain financial records that clarify or verify any report filed with OLMS. Local 571 should maintain receipts and disbursements journals (or similar records) to record all monies received and spent by the union.

Based on your assurance that Local 571 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 571 for the fiscal year ended December 31, 2013, was deficient in the following areas:

#### 1. Acquire/Dispose of Property

Item 13 (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 the union gave away approximately \$2,400.00 in Target Stores, Subway, Footlocker, Dunkin Donuts, and Shell Oil gift cards 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. Fidelity Bond

Item 20 (Maximum amount recoverable under your organization's fidelity bond) was incorrectly answered, "\$20,000", because the union had a fidelity bond certificate in the amount of "\$25,000" during calendar year 2013. The union must enter the correct amount of bonding coverage during the reporting year in Item 20.

3. Date of Next Officer Election

Item 22 (Date of your organization's next regular election of officers) was incorrectly answered, "November 2014", because the union was scheduled to hold its election in 2015. The union must enter the correct month and year of its next regular election of general officers in Item 22. The union should not report the date of any interim election to fill vacancies.

4. Disbursements to Officers

Local 571 did not include some phone allowances and expenses to officers totaling at least \$7,550.00 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense) or Item 54 (Other Disbursements).

Local 571 also did not include President Melon's salary totaling approximately \$15,000.00, which was paid indirectly to Melon through American Eagle Airlines, in the amounts reported in Item 24. It appears that the union also erroneously reported these payments in Items 48 or 54.

The union must report most direct disbursements to Local 571 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).

5. Dues and Per Capita Tax

Local 571 did not report the correct amount of dues that the union received from its parent body organization in Item 38 (Dues). The union erroneously included in Item 38 the amount allocated for per capita tax that was retained by the parent body before it transmitted the local's share of the dues to the union. Local 571 also erroneously reported per capita tax as a disbursement in Item 47 (Per Capita Tax) even though the union never disbursed any related funds to its parent organization.

If an intermediate or parent body receives dues checkoff directly from an employer on behalf of a local, do not report in Item 38 the portion retained by that organization for per capita tax or other purposes, such as assessments. Report only the actual dues received and deposited into the union's bank account. Likewise, per capita tax that has been retained by a parent organization should not be reported in Item 47.

6. 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 571 amended its constitution and bylaws in May 1993, but did not file a copy with its LM report for that year.

Local 571 has now filed a copy of its constitution and bylaws.

Local 571 must file an amended Form LM-3 for the fiscal year ended December 31, 2013, to correct the deficient items discussed above. In addition, as Local 571 has already filed its Form LM-3 for fiscal year ended December 31, 2014 which contains the deficient items, the local must file an amended Form LM-3 for 2014 as well. I encourage Local 571 to complete, sign, and file its reports electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Forms LM-3 should be filed electronically no later than October 23, 2015 or submitted to this office at the above address by the same date. Before filing, review the reports thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

I want to extend my personal appreciation to Transport Workers Local 571 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,

[REDACTED]

Investigator

cc: Mr. Gilbert Huertas, President