



CORRECTED COPY

November 19, 2008

Mr. Warren S. George
International President
Amalgamated Transit Union, AFL-CIO/CLC
5025 Wisconsin Avenue
Washington, D.C. 20016

RE: International Compliance Audit Program (I-CAP)
Amalgamated Transit Union, AFL-CIO/CLC (ATU)
LM File Number 000-160

Dear President George:

The Office of Labor-Management Standards (OLMS) within the Department of Labor recently completed a compliance audit of the Amalgamated Transit Union, AFL-CIO/CLC (ATU), to assess its compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). The audit was conducted under the OLMS International Compliance Audit Program (I-CAP).

On October 24, 2008, the I-CAP Team conducted an exit interview with Oscar Owens, Secretary-Treasurer; Benetta Mansfield, Chief of Staff; Nancy Trumbull, Controller; Leo Wetzell, General Counsel; and Aaron Hilligas, Associate Counsel. During the exit interview, the I-CAP Team reviewed audit findings, specified actions that the ATU must take to correct the deficiencies identified, and recommended actions to enhance the union's internal controls. This letter captures the audit's civil findings as generally discussed during the exit interview. It does not purport to be an exhaustive list of all possible problem areas, since the audit was limited both in scope and duration.

Reporting Deficiencies - LMRDA Section 201(b)

Section 201(b) of the LMRDA requires that labor organizations file with OLMS an annual financial report that accurately discloses the union's financial condition and

operations. The deficiencies that follow in this section were noted on the ATU Form LM-2 report for the fiscal year ending June 30, 2007.

On April 15, 2008, during the I-CAP audit, the ATU submitted an amended Form LM-2 in which some of the deficiencies identified in this section were corrected. The I-CAP Team, however, identified other deficiencies that were not corrected in ATU's amended Form LM-2 for fiscal year ending June 30, 2007.

All of the deficiencies identified in this section must be corrected in an amended Form LM-2 for the fiscal year ending June 30, 2007. Further, subsequent Form LM-2 filings must be prepared so as not to contain these deficiencies.

1. The ATU answered "Yes" to Item 15 (Acquisition or Disposition of Assets in a Manner other than Purchase or Sale) and reported the following additional information in Item 69: "Depreciation totaling \$539,492." The union's depreciation and amortization of the value of certain assets did not constitute the acquisition or disposition of any assets. If no assets were acquired or disposed of in a manner other than purchase or sale, then the union must answer "No" to Item 15. The total amount of accumulated depreciation of fixed assets should be reported in Column (C) of Schedule 6 (Fixed Assets). The ATU's amended 2007 Form LM-2 did not correct this deficiency.
2. The ATU excluded two membership categories, "Members at Large - Active" and "Members at Large - Pension" from Schedule 13 (Membership Status). The Form LM-2 instructions require labor organizations to enter in Schedule 13 the categories of membership tracked by the reporting labor organization and the number of members for each of the membership categories. The ATU corrected this deficiency on the amended 2007 Form LM-2.
3. The ATU incorrectly reported in Schedule 13 (Membership Status) the number of "Agency Fee Payers" as 289, when there were 404 such agency fee payers. The ATU corrected this deficiency on the amended 2007 Form LM-2.
4. The ATU reported \$37,088,239 in sales of investments in Schedule 3 (Sale of Investments and Fixed Assets) and \$28,184,834 in purchases of investments in Schedule 4 (Purchase of Investments and Fixed Assets), but did not report any amounts in Line 14 (Less Reinvestments) of Schedules 3 and 4. The ATU officials confirmed that certain amounts of these sales and purchases were actually "reinvestments." The Form LM-2 instructions for Schedules 3 and 4 require labor organizations to enter the total amount from the sale or redemption of U.S. Treasury securities, marketable securities, or other investments that was promptly reinvested on Line 14 of Schedules 3 and 4. Generally, "prompt" means reinvesting (or "rolling over") the funds in a week or less without using

the funds for any other purpose during the period between the sale of the investment and the reinvestment. The ATU must therefore report the amount of "reinvestments" in Line 14 of Schedules 3 and 4. The ATU corrected this deficiency on the amended 2007 Form LM-2.

5. The ATU reported the sale of furniture and equipment without a gross sale price in Column (D) of Schedule 3 (Sale of Investments and Fixed Assets) or an amount received in Column (E) of Schedule 3. The Form LM-2 instructions require that a labor organization report in Schedule 3 the details of the sale or redemption of U.S. Treasury securities, marketable securities, other investments, and fixed assets, including those fixed assets that were expensed, during the reporting period. If fixed assets were disposed of during the year other than by sale, Item 15 (Acquisition or Disposition of Assets) should be answered "Yes" and details should be provided in Item 69 (Additional Information). The ATU's amended 2007 Form LM-2 did not correct this deficiency.
6. The ATU reported \$26,125 in Line 7, Column (B) as the cost or other basis for other fixed assets in Schedule 6 (Fixed Assets). However, the ATU did not report that any amount of the assets was expensed or depreciated in Column (C). The ATU officials stated that the reported amount was for library books purchased a number of years ago and acknowledged that the assets should have been written off. The ATU's amended 2007 Form LM-2 did not correct this deficiency.
7. The ATU reported "Deposits" as a description of liabilities in Column (A) of Schedule 10 (Other Liabilities). This description is not sufficient to identify the type of liabilities. The Form LM-2 instructions require that other liabilities must be described in Column (A) and may be classified by general groupings or bookkeeping categories if the description is sufficient to identify the type of liability. A more detailed description in Column (A) of Schedule 10 is required. The ATU's amended 2007 Form LM-2 did not correct this deficiency.
8. The ATU incorrectly reported per diem disbursements for some officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). Specifically, the ATU reported these per diem disbursements in Column (E) (Allowances Disbursed) instead of in Column (F) (Disbursements for Official Business) as required by the Form LM-2 instructions. Consequently, the total amount of disbursements in Column (F) was understated. The ATU's amended 2007 Form LM-2 for 2007 did not correct this deficiency.
9. The ATU misreported allowance disbursements for two individuals in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees). Allowances for one international vice president were overstated by

\$201.86 and allowances for another international vice president were understated by \$976.24. The ATU corrected this deficiency on the amended 2007 Form LM-2.

10. The ATU misreported the amounts of direct reimbursed expenses paid to four officers in Schedule 11 (All Officers and Disbursement to Officers), Column (F). Specifically, reimbursed expense payments reported in Column (F) were overstated by \$3,261.19 for one officer, \$4,687.07 for the second officer, \$1,843.04 for the third officer, and \$58 for the fourth. The ATU corrected this deficiency on the amended 2007 Form LM-2.
11. The ATU failed to include disbursements for certain expenses in Schedule 11 (All Officers and Disbursements to Officers), Column (G) of the Form LM-2. Specifically, the ATU omitted certain disbursements for gasoline expenses, in-vehicle security and communication system (OnStar) expenses, and other miscellaneous non-business expenses, which resulted in amounts reported in Column (G) for four officers being understated by a total of \$10,003. The Form LM-2 instructions require reporting in Column (G) all direct and indirect disbursements to each officer that were essentially for the personal benefit of the officer and not necessary for conducting official business of the labor organization. The ATU corrected this deficiency on the amended 2007 Form LM-2.
12. The ATU did not report one direct reimbursement made to an employee for a purchase not related to union business in Schedule 12 (Disbursements to Employees), Column (G). The Form LM-2 instructions require that direct and indirect disbursements to each officer and employee that were essentially for the personal benefit of the officer and not necessary for conducting official business of the labor organization be reported in Column (G). The ATU corrected this deficiency on the amended 2007 Form LM-2.
13. The ATU incorrectly reported disbursement amounts paid to three vendors in Schedules 15 through 19 (Representational Activities; Political Activities, and Lobbying; Contributions, Gifts, and Grants; General Overhead; and Union Administration):

Vendor	Amount Reported	Amount Reportable
B & M Mailing Services, Ltd	\$83,271	\$84,872
Sheraton Centre Toronto	\$107,494	\$129,881
Watson Labour Lawyers	\$27,046	\$31,200

The ATU's amended 2007 Form LM-2 did not correct these deficiencies.

14. The ATU reported "Legal Services" in Column (C) of several itemization pages as the purpose for disbursements to various law firms in Schedule 15 (Representational Activities) and in Schedule 19 (Union Administration). This description is not sufficient to identify the purpose. The description should be specific enough to disclose the type of legal services provided in order to clarify if the disbursements are correctly reportable in Schedule 15, 16, 17, 18, or 19. The Form LM-2 instructions state that the purpose reported in Column (C) of Schedules 15 through 19 means a brief statement or description of the reason the disbursement was made. The ATU's amended 2007 Form LM-2 did not correct this deficiency.
15. The ATU incorrectly reported a \$35,975 credit for the North Carolina Department of Revenue and an additional credit of \$100 for the Torray Fund as disbursements in Schedule 18 (General Overhead). These credits were not cash disbursements and therefore should not have been reported in Schedule 18. The ATU's amended 2007 Form LM-2 properly corrected the deficiency regarding the credit for the North Carolina Department of Revenue. However, the ATU's amended 2007 Form LM-2 did not correct the deficiency for the misreported Torray Fund credit.
16. The ATU incorrectly reported disbursements to its employees totaling \$9,450 for Metrocheks in Schedule 20 (Benefits). The audit revealed that the purpose for these disbursements was to offset commuting costs of employees. The Form LM-2 instructions require that all direct and indirect disbursements to each officer and employee, that were essentially for the personal benefit of the officer or employee and not necessary for conducting official business of the labor organization, must be reported next to his or her name in Column (G) of Schedule 11 or 12. The amended 2007 Form LM-2 did not correct this deficiency.
17. The ATU misreported the total amount of per capita tax receipts in Item 37 (Per Capita Tax). On the original Form LM-2 the ATU reported per capita tax receipts totaling \$18,133,162. However, \$18,264,553 should have been reported. The ATU corrected this deficiency on the amended 2007 Form LM-2.
18. The ATU incorrectly reported \$27,600 in disbursements to the ATU Romanian Council as part of the overall per capita tax disbursement amount reported in Item 56 (Per Capita Tax). The audit revealed that these monthly disbursements were for the purpose of providing financial support to the Romanian Council and not as a condition or requirement of affiliation. The Form LM-2 instructions require that only a union's total amount of per capita tax paid as a condition or requirement of affiliation with the union's parent national or international union, state and local central bodies, a conference, joint or system board, joint council, federation, or other labor organization be reported in Item 56. Since these

disbursements were for the assistance of an organization, these amounts must be reported in Schedule 17 (Contributions, Gifts and Grants). The ATU's amended 2007 Form LM-2 did not correct this deficiency.

19. The ATU reported "2006 Golf Tournament" as the purpose for the \$11,257 disbursement to Clark Sisson in Schedule 17 (Contributions, Gifts and Grants), Column (C). This description is not sufficient. The Form LM-2 instructions state that the purpose reported in Column (C) of Schedules 15 through 19 means a brief statement or description of the reason the disbursement was made. The description should be specific enough to clarify if the disbursement is correctly reportable in Schedule 15, 16, 17, 18, or 19. The audit revealed that the purpose of the disbursement was to purchase golf tournament prizes to benefit multiple sclerosis research. The ATU's amended 2007 Form LM-2 did not correct this deficiency.

Inadequate Recordkeeping - LMRDA Section 206

Pursuant to Section 206 of the LMRDA, every person required to file any report under LMRDA Title II shall maintain records on the matters reported that will provide in sufficient detail the necessary information from which the reports filed may be verified, explained, or clarified and checked for accuracy and completeness. All required records must be maintained for at least five years following the date the financial report is filed. Records over five years must be maintained if they are necessary to verify reports filed within the last five years, for example, to verify current financial activities of the union, such as meeting minutes that note approval for officer salary increases. There were instances noted during this audit where the ATU did not comply with the recordkeeping requirements of Section 206. During the exit interview, you were informed that adequate records necessary to document all financial transactions, regardless of amount, must be maintained for a minimum of five years.

20. The ATU did not retain adequate documentation for all reimbursed expenses and credit card expenses incurred by its officers and employees. In certain instances, receipts were not retained for officer and employee meal, OnStar, hotel, rental car, and satellite radio expenses. Labor organizations must retain original receipts, bills, and vouchers for all disbursements.
21. The ATU officers did not consistently submit itemized receipts for meal expenses. In some instances, the ATU reimbursed expenses were supported only by credit card statements or charge slips. Itemized receipts supplied by restaurants must be maintained by the ATU as such receipts are necessary to determine whether such disbursements are for union business purposes and to fulfill the recordkeeping requirement in LMRDA Section 206.

22. The ATU's records pertaining to meal expenses at times did not include the full names and titles of all persons who incurred meal charges. In order to comply with LMRDA Title II, union records pertaining to meal expenses must include the full names and titles of all persons incurring the restaurant charges, as well as written explanations of union business conducted.
23. The ATU did not consistently maintain records necessary to verify the accuracy of member-at-large receipts reported in Item 36 (Dues and Agency Fees). Without source documents, such as copies of checks received or remittance receipts, the receipts information on the Form LM-2 cannot be verified. Unions must retain records necessary to verify all assets, liabilities, receipts and disbursements reported on Form LM-2 reports.
24. The ATU did not consistently retain adequate document in support of disbursements paid to officers and employees as mileage reimbursement for business use of personal vehicles. In many instances, the information recorded on the vouchers was insufficient and only stated the number of miles, reimbursement amount, and general destination description (i.e. "airport"). The ATU must maintain records which identify the dates of travel, locations traveled to and from, and the number of miles driven.

Internal Controls

Adequate internal financial controls are essential to prevent the misuse of union funds and to support financial responsibility and other obligations under Title II and Title V of the LMRDA. Title V of the LMRDA stipulates, among other things, the fiduciary responsibility of officers of labor organizations. As a general rule, weaknesses in financial controls can lead to violations of Section 501 of the LMRDA.

25. The ATU's written procedures for processing funeral benefit payments are disjointed and unclear given that they are based on an assortment of constitutional provisions, internal office memoranda, and unwritten past practice. The I-CAP Team recommends that the ATU compile and integrate its disjointed procedures into one policy document and then consistently follow those procedures for making funeral benefit payments.
26. The ATU's policy on reimbursing union-related travel and other expenses using an actual expense basis versus per diem is unclear. In two instances, ATU Headquarters employees were reimbursed for actual expenses, as opposed to receiving per diem. The ATU Constitution clearly sets forth the per diem standards for International Vice Presidents stating that while in the active service of the ATU and when on the road, the IVPs shall be allowed an appropriate per diem allowance. The ATU Constitution further states that the executive officers

shall be allowed any necessary traveling and other additional expenses. Neither the ATU Constitution nor the ATU Expense Policy, however, state which travel policy applies to the ATU staff. The I-CAP Team recommends the ATU clarify its policy to clearly define applicability of per diem reimbursement requirements to ATU staff.

27. The audit revealed that the business purpose of directly reimbursed expenses was not always adequately documented. ATU officials indicated that weekly activity reports submitted by officers and employees serve as backup documentation substantiating the purpose of expenses. The weekly activity reports consisted of daily calendar pages that list an individual's daily tasks and meetings, as opposed to information about the purpose of each expense that was incurred. In order to strengthen internal controls over expense reimbursement processing, the ATU should model its method of tracking direct reimbursements to the method used to track indirect expenses.
28. Bank reconciliation reviews performed by the ATU assistant controller were not documented. Although ATU officials advised that such reviews are performed by the ATU assistant controller, the reviews could not be verified. The I-CAP Team recommends that the ATU require the reviewer to initial the reconciliation as evidence of the review.

Other Issue

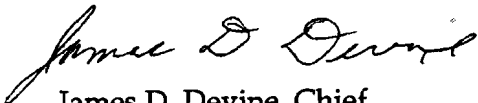
Section 201(a) of the LMRDA requires every covered labor organization to file a report, with the Secretary of Labor, that provides organizational information including statements about its operating procedures, names and titles of officers, initiation fees, dues, and references to various constitutional provisions - along with the constitution and bylaws. This initial union information report must be signed by the union's president and secretary or corresponding principal officers and, as required by LMRDA Section 207(a), must be filed within 90 days after the labor organization first becomes subject to the LMRDA. Section 201(b) of the LMRDA requires that labor organizations file with OLMS an annual financial report that accurately discloses the union's financial condition and operations.

29. Eighteen ATU local unions and an additional eighteen intermediate bodies affiliated with (or subordinate to) the ATU did not consider themselves subject to the LMRDA. Thus, these 36 organizations failed to file, with OLMS, the required informational and financial LM reports mandated by the LMRDA. During the I-CAP it was discovered that these organizations were subject to the requirements of the LMRDA. The ATU voluntarily notified the organizations of the filing requirements and they have agreed to comply.

As discussed in the exit interview, the ATU must submit, within thirty days from the date of this letter, a response letter to this closing letter, and an amended Form LM-2 for the fiscal year ending June 30, 2007 that corrects all of the deficiencies identified in this letter. The response letter must identify the corrective actions implemented by the ATU based on the results of the compliance audit. We will schedule an on-site follow-up audit in approximately six months to review corrective actions taken, to discuss the amended Form LM-2 report filed by the ATU, and to assist your organization in complying with LMRDA requirements.

We want to express our appreciation for the cooperation and courtesy extended by you and your staff during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call us.

Sincerely,

A handwritten signature in cursive script that reads "James D. Devine".

James D. Devine, Chief
Division of International Union Audits

cc: Oscar Owens, Secretary-Treasurer