

U.S. Department of Labor

Office of Labor-Management Standards
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December 2, 2004

Marshall Thomson
Secretary Treasurer
Transportation Union, Local 1741
35 Dorman Street, Suite 5
San Francisco, CA 94124

Dear Mr. Thomson:

This Office has recently completed an audit of Transportation Union, Local 1741 under the Compliance Audit Program (CAP) to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with President Angie Beloy, Vice-President Frank Lemon, and you on November 23, 2004, 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.

Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

The following record keeping violations were revealed during the audit of Local 1741's 2003 records:

1. **Officer And Employee Expenses**

Union officers and employees failed to retain adequate documentation for reimbursed expenses and for air transportation, meals, and lodging expenses which were paid by the union. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded.

With respect to documentation retained in support of specific disbursements, the record retention requirement includes not only the retention of original bills, invoices, receipts, and

vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

2. Lost Wages/Time

The vouchers submitted by union personnel for lost wages were devoid of essential details. Lost time vouchers must identify the date, the number of hours, the applicable rate of pay, and the description of the union business conducted. More importantly, according to Local 1741's general lost time policy, an employee should not receive lost time wages from the union while at the same time receiving wages from the employer. This situation of dual payments occurred regularly throughout the audit year. As agreed upon, Local 1741 will immediately cease this practice which violates its own lost time policy. If Local 1741 wishes to compensate its officers above and beyond his/her regular wages, this would not be considered lost time. It was suggested that Local 1741 consult the international union and seek legal guidance concerning an alternative compensation plan that would not violate the union's lost time policy.

3. Receipts

Receipts or check stubs from employer dues check-off were not maintained. Laidlaw Transit receipts, for the months of January, September, and October 2003, were recorded in the journal but there were no supporting documents to be found. These records must be retained.

4. Other

Adequate documentation was not retained for general purchases and for office supplies. These records must be retained.

As agreed, provided that Local 1741 maintains adequate documentation in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Local 1741 for fiscal year ending December 31, 2003 was deficient in the following area:

ITEM 25 (cash) was incorrectly reported. Local 1741's savings (strike fund) account was not included in the amount reported.

ITEM 9 (place records kept) was answered "no." However, the address where your union's records are kept was not provided in Item 56 (additional information).

ITEMS 40-43 (cash receipts) must each be completed with the appropriate number or "0."

ITEM 55 (total disbursements) must equal the total of Items 45 through 54.

Cash Reconciliation: Your union's reported cash figures for the reporting period do not balance (reconcile). Specially, cash at the start of the reporting period (Item 25(A)) plus total receipts (Item 44) minus total disbursements (Item 55) does not equal cash at the end of the reporting period (Item 25(B)). Either one or more of the reported figures in these items is inaccurate or was blank and should be corrected or the cash shortage or overage must be explained in Item 56 (additional information). (See the worktable on page 14 of the instructions.)

It will be necessary for Local 1741 to file amended LM-3 report for 2003 to correct the deficient items discussed above. The necessary reporting forms and instructions are enclosed for your use. You may also use the new electronic forms software available from OLMS to complete the amended reports. One copy of each amended report should be submitted to this office at the above address as soon as possible, but no later than December 17, 2004. Before mailing, review the reports thoroughly to be sure they are complete, accurate, and signed properly with original signatures.

Other Issues

1. Failure To File Bylaws

The CAP disclosed a violation of LMRDA section 201(a) which requires that unions submit a copy of their current constitution with its LM report when changes are made. Local 1741 amended its constitution in 2003, but a copy of the constitution was not filed with Local 1741's LM-3 report for that year. The union's failure to file the amended constitution was remedied since a current copy was provided on October 6, 2004. No further action is necessary at this time.

2. No Authorization For Salaries

During the audit, I advised you that authorization of the salary paid for the position of secretary-treasurer could not be found in union records. I suggest that Local 1741 take steps to document the authorized salary by discussing it at a future meeting and recording it in meeting minutes or some other internal document. When the authorized salary has been recorded in union records, I would appreciate it if you would forward a copy of the record documenting the authorization to me at the above address.

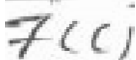
3. Countersignature (Signing Blank Checks)

During the audit, you advised that President Angie Beloy signs blank checks in advance. Your union's constitution requires that all checks be signed by the president and treasurer. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. You may wish to revise your check disbursement method.

Furthermore, it was discovered that the union officer who was also the payee on the check, often times co-signed his/her own check. Again, for effective internal control of union funds, two disinterested officers should sign these checks. You may wish to expand the number of signatories to accomplish this.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to your successor at whatever time you may leave office.

I want to thank President Angie Beloy, Vice-President Frank Lemon, and you for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to contact me or any other representative of our office.

Sincerely,


Investigator




Investigator

cc: Angela Stout, President
Frank Lemon, Vice-President

