



July 19, 2011

John Parrott, Secretary Treasurer
Transport Workers Union AFL-CIO LU 556
7929 Brookriver Dr
Ste 750
Dallas, TX 75247

Case Number: [REDACTED]
LM Number: 515587

Dear John Parrott:

This office has recently completed an audit of Transport Workers Union AFL-CIO LU 556 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 and President Thom McDaniel on June 2, 2011, 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 556's 2010 records revealed the following recordkeeping violations:

1. Bank Account Reconciliation

Local 556 did not reconcile the savings account held at Southwest Airlines Federal Credit Union during the months of July, August, and September of 2010. The local included those transactions with the October 2010 transactions.

2. Missing Voucher

A disbursement voucher for Thom McDaniel for the month of April 2010 was missing from the union's records. Based on the bank statements and the amount listed on the LM report, the voucher was for a payment of \$100.00.

3. Pay Pal Transaction Fees

Local 556 failed to record Pay Pal transaction fees. The local only recorded the full amount Pay Pal received for dues income. The amount deposited into the union's bank account was the dues income less Pay Pal fees and other transactions. There was a difference of \$1,990.93 between the union records and bank statements.

Based on your assurance that Local 556 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-2) filed by Local 556 for fiscal year ending September 30, 2010, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 556 did not include a payment in the amount of \$25.00 for John Parrott in Schedule 11 (All Officers and Disbursements to Officers). 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.

2. Failure to Itemize Disbursements

Local 556 did not properly report some major transactions to M5 Network in Schedule 18. 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 M5 Network received \$30,855 in disbursements from Local 556. The local reported \$10,468 in Schedule 4 Purchase of Investments and Fixed Assets and \$10,387 in Schedule 18 General Overhead. The local failed to itemize the remaining portion of \$10,000 in Schedule 18.

3. Pay Pal Transaction Fees

Local 556 failed to report Pay Pal transaction fees in the amount of \$1,990.93. The local should report all transaction fees assessed as a result of collecting dues using the Pay Pal payment system in Scheduled 18 General Overhead.

4. 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 556 amended its constitution and bylaws in 2009, but did not file a copy with its LM report for that year.

Local 556 must file an amended Form LM-2 for fiscal year ending September 30, 2010, to correct the deficient items discussed above. I explained to you the filing procedures and the availability of filing software on the OLMS website (www.olms.dol.gov). The amended Form LM-2 must be electronically filed as soon as possible, but not later than August 3, 2011. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

I want to extend my personal appreciation to Transport Workers Union AFL-CIO LU 556 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: Thom McDaniel, President