



May 27, 2016

Mr. James Moore, President
Transit Union, AFL-CIO
Local 1564
551 E. 11 Mile Road Suite 1D
Madison Heights, MI 48071

Case Number: 320-6006969 [REDACTED]
LM Number: 529173

Dear Mr. Moore:

This office has recently completed an audit of Transit Union Local 1564 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, Financial Secretary-Treasurer Violet Williams, and International Vice President Chuck Watson on May 10, 2016, 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 1564's 2015 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 1564 records of meal expenses did not always include written explanations of union business conducted, the date meals were incurred, the location of the meals, or the names

and titles of the persons incurring the restaurant charges for meals reimbursed to you and Ms. Williams totaling at least \$3,921. For example, union check [REDACTED] paid to you on May 1, 2015 for mileage, parking, and meal expenses included a reimbursement of \$206.42 for meals incurred in April 2014. In support of this payment, the local retained a meal receipt for every meal claimed; however, none of the receipts included the union business purpose or identified the names and titles of those present for the meal expenses. 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 date and the names of the restaurants where the officers or employees incurred the meal expenses.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. 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. 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. 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. Reimbursed Auto Expenses

You and Ms. Williams received reimbursement for the business use of your personal vehicles, but did not retain adequate documentation to support payments to you and her totaling at least \$10,835.91 during 2015. Your mileage reimbursements were claimed on expense vouchers that normally identified total number of miles driven each day and general locations traveled to and from; however, the expense vouchers were not sufficient in that they failed to identify the union business conducted. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Lost Wages

Local 1564 did not retain adequate documentation for lost wage reimbursement payments to former Financial Secretary [REDACTED] totaling at least \$1,199.35. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 1564 retained lost time vouchers which detailed the date the lost wages was incurred, the time that was lost, the rate of pay, and the number of hours lost on each date, but did not include a description of the union business conducted.

4. Fixed Assets

Local 1564 failed to maintain any records that identified its fixed assets. The Form LM-2 filed by Local 1564 for 2015 reported fixed assets of \$10,680 at the start and end of the fiscal year. During the audit, Ms. Williams advised that the local does not keep an inventory list of its fixed assets, which includes a laptop computer, desktop computers, chairs, desks, a printer/copier, and some filing cabinets. Ms. Williams agreed that the union would create such an inventory and maintain the list by adding new purchases, removing old equipment that has been sold, donated, or destroyed, and recording the cost and depreciation of each asset.

In the case of fixed assets, the local must maintain an inventory or other similar record(s) identifying each fixed asset and the cost and depreciation of each fixed asset. Such records are required to be retained to verify, clarify, and support information required to be reported in Schedule 6 (Fixed Assets) of the Form LM-2.

5. Disposition of Property

Local 1564 did not maintain an inventory of calendars it purchased and gave away to members in January 2015. Local 1564 purchased approximately \$812 in calendars from Vendros Printing and Advertising on December 22, 2015, but failed to retain records identifying who received the calendars, and did not maintain an inventory or similar record(s) of the undistributed calendars. Records must be retained which account for all union property to clarify and support information required to be reported by Local 1564 in Statements A and B of the Form LM-2. The value of any property on hand at the beginning and end of the year should be reported in Item 28 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the Form LM-2 report with the identity of the recipient(s) or donor of such property. 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.

6. Disbursement for the Executive Board Christmas Party

The audit revealed that Local 1564 did not retain documentation showing that a \$645.49 expense for the executive board's holiday party at Dave & Buster's Restaurant was properly authorized and approved by Local 1564's membership or executive board. In support of this expense, Local 1564 only retained the itemized receipt of the expense and the credit card statement indicating that the expense was paid-in-full by the local. During the audit, Ms. Williams advised that approval for this expense would not likely be found in any general membership or executive board meeting minutes from fiscal year 2014. Additionally, Ms. Davis advised that the authorization for the executive board to hold an annual holiday party came from a motion made at a membership/executive board meeting many years ago; however, Local 1564 was unable to produce the meeting minutes that showed the approval for this expense.

Meeting minutes of all membership or executive board meetings where union expenses are discussed must report any disbursement authorizations made at those meetings and must be retained for as long as the authorization remains in effect.

7. Lack of Authorization for the President's Cell Phone

The audit revealed that Local 1564 provided you with a cell phone and pays the monthly cell phone bill; however, no authorization for your union cell phone could be found in the union's records. During the audit, Ms. Williams advised that the authorization for the president's cell phone could probably be found in meeting minutes from more than five years ago; however, Local 1564 was unable to provide a copy of the meeting minutes.

Although OLMS does not recommend one best policy for authorizing the payment of an officer's cell phone, it strongly recommends that unions adopt a written policy approved by a governing body to ensure compliance with the LMRDA and to safeguard union assets. This authorization must be documented in at least one record, such as union meeting minutes. Local 1564's executive board authorized providing you with a cell phone and paying your monthly cell phone bill during the executive board meeting on April 15, 2016, and documented this authorization in the meeting minutes.

8. Lack of Wage Authorization

Local 1564 did not maintain records to verify that the wages reported in Schedule 12 (Disbursements to Employees) for [REDACTED] were the authorized amounts and therefore were correctly reported.

The audit revealed that [REDACTED] was paid wages totaling approximately \$5,158.87 after her retirement from SMART in January 2015. During the audit, Ms. Williams indicated that [REDACTED] was paid by Local 1564 to train Ms. Williams and to assist in the preparation of the union's records for the LM-2 report and the International Union's audit of Local 1564. Ms. Williams stated that the union could not provide any records showing authorization or approval of these payments, but paying former officers for training new officers is an unwritten policy the union has been operating under for many years.

Although OLMS does not recommend one best policy for authorizing wage payments, it strongly recommends that unions adopt a written policy approved by the governing body to ensure compliance with the LMRDA and to safeguard union assets. This authorization should be documented in at least one union record, such as the union's bylaws or meeting minutes.

Based on your assurance that Local 1564 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(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 1564 amended its constitution and bylaws in 2010, but did not file a copy with its LM report for that year. Local 1564 has now filed a copy of its constitution and bylaws.

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 1564 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Disbursements to Officers

The audit revealed that you and Ms. Williams incurred meal expenses totaling \$3,921 at restaurants near your homes or the union office. In the case of these meal expenses, the frequency and regularity of the meals, and the fact that they take place at a time when you would otherwise normally be paying for meals yourselves, appear to indicate that the meals are more for your personal benefit than necessary for conducting official union business. During the exit interview, you and Ms. Williams reviewed information regarding the meal expenses and agreed that those meals were not always necessary for conducting union business. Therefore, unless it can be shown that the meals were actually necessary for conducting official union business, such disbursements of the union must be reported in Column G (Other Disbursements) of Schedule 11 of the LM-2 rather than in Column F (Disbursements for Official Business), and may be allocated among the officers.

Sections 214.571 through 214.577 of the LMRDA Interpretative Manual provide guidance and examples for reporting direct and indirect disbursements for food and refreshments for officers, employees, general membership gatherings, and for the entertainment of individuals outside the union. Copies of Sections 214.571 through 214.577 of the LMRDA Interpretative Manual were provided to you and Ms. Williams during the exit interview.

Direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business must be reported in Column F of Schedules 11

and 12. In addition, indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur must be reported in Column F of Schedules 11 and 12. However, 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 must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G of Schedules 11 and 12.

2. Disposition 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 the union gave away calendars totaling approximately \$812 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.

I am not requiring that Local 1564 file an amended LM report for 2015 to correct the deficient items, but Local 1564 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Reimbursed Mileage Policy

Your and Ms. Williams' expense vouchers and other union records indicated that you were reimbursed at least \$13,075 for mileage expenses during 2015. Further, the vouchers show that a significant portion of the mileage for which you and Ms. Williams claimed reimbursement was attributed to commuting between your homes and the union office as much as five times per week. During the exit interview, you and Ms. Williams stated that the authorization for the reimbursement of commuting mileage comes from Article 14, Section 2 of the local's bylaws, which states, "...Approved mileage shall be paid at the rate authorized by the Internal Revenue Service." However, the policy in Local 1564's bylaws does not detail under what circumstances mileage can be claimed, including whether officers and employees are entitled to claim mileage for commuting between their homes and the union office.

OLMS recommends that unions: (1) adopt a clear policy on mileage expenses; (2) establish what documentation is needed for an official to be reimbursed; and (3) establish a procedure that provides for approval of mileage claims. Also, Local 1564 is advised to consult with the Internal Revenue Service (ask for Publication 15-B Employer's Tax Guide

to Fringe Benefits) to determine whether the payments for commuting mileage may be considered a taxable fringe benefit and may be subject to withholding taxes.

2. Meal Allowance Policy

Your and Ms. Williams' expense vouchers and other union records indicated that you were reimbursed at least \$3,921 for meal expenses during 2015. The vouchers show that a majority of the meal expenses were incurred at restaurants near your homes or the union office and were claimed as often as five times per week. Furthermore, the meal expenses took place at a time when you and Ms. Williams would otherwise normally pay for meals yourselves. During the exit interview, you and Ms. Williams stated that the authorization for the reimbursement of meal expenses comes from Article 14, Section 3 of the local's bylaws, which states, "...Meal allowances of ten dollars (\$10.00) per day will be paid while on Union Business." Further, you and Ms. Williams stated that these payments were properly authorized. However, Local 1564's policy for the payment of meal expenses does not detail under what circumstances meal expenses can be claimed, including whether officers and employees are entitled to claim meal expenses that are not necessary for conducting union business and/or are incurred in the local commuting area.

OLMS recommends that unions: (1) adopt a clear policy on meal expenses and under what circumstances meal expenses may be claimed for reimbursement; (2) establish what documentation is needed for an official to be reimbursed; and (3) establish a procedure that provides for the authorization and approval of meal expenses. Also, Local 1564 is advised to consult with the Internal Revenue Service (ask for Publication 15-B Employer's Tax Guide to Fringe Benefits) to determine whether the payments for meal expenses that are not necessary for conducting union business may be considered a taxable fringe benefit and may be subject to withholding taxes.

3. Lost Wage Policy

The audit revealed a lost wage reimbursement to Recording Secretary Monica Jordan for 8 hours totaling approximately \$144 for June 26, 2015. During the opening interview, you and Ms. Williams stated that Local 1564's lost wage policy is to approve pay to officers and committee members for any wages that they lose from SMART for conducting union business, and that lost wages could be paid to anyone who was on employer paid leave or who would not have otherwise been paid by SMART, such as during a person's off hours (e.g. evenings and/or weekends). The authorization for this compensation can be found in Article 14, Section 2, of Local 1564's bylaws. However, a review of the union's records revealed that Ms. Jordan was not conducting union business when she claimed lost wages for June 26, 2015. Union records showed that Ms. Jordan attended a convention on June 26, 2015, but she did not have prior approval from the local to receive lost wages for that function. Local 1564 resolved this issue internally when Ms. Jordan was required to repay Local 1564 for this unauthorized lost wage claim, which Ms. Jordan did on August 21, 2015.

The audit confirmed that the lost wage policy is generally followed by Local 1564's officers and employees, except for the instance noted above; however, to ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, unions should establish best practices for authorizing and approving lost wage payments. OLMS recommends that unions: (1) adopt clear policies and procedures for making lost wage and similar payments and (2) use vouchers that require detailed information to support and verify lost wage payments.

4. Duplicate Reimbursed Expenses

The audit revealed one instance where a duplicate payment was made to [REDACTED] for mileage and meal expenses. [REDACTED] submitted an individual expense voucher totaling \$273.75 on April 2, 2015 for her March 2015 mileage and meal expenses, which was paid by union check [REDACTED]. Further review of Local 1564's records revealed that Ms. Davis submitted another individual expense voucher totaling \$279.31 on April 16, 2015 for her March 2015 mileage and meal expenses, which was paid by union check [REDACTED]. A comparison of the April 2, 2015 expense voucher with the April 16, 2015 expense voucher revealed that [REDACTED] claimed some of the same meal and mileage expenses on both vouchers, resulting in [REDACTED] being reimbursed an extra \$180.56.

During the exit interview, Ms. Williams advised that this duplicate payment to [REDACTED] was probably made in error. You and Ms. Williams indicated that you would make a recommendation to the executive board to "forgive" [REDACTED] of this debt; however, [REDACTED] reimbursed Local 1564 for the duplicate expenses on May 17, 2016. OLMS recommends that reimbursed expenses be monitored and reviewed monthly to help ensure adequate internal control of union funds and safeguard union assets.

I want to extend my personal appreciation to Transit Union Local 1564 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: Ms. Violet M. Williams, Financial Secretary-Treasurer
Mr. Chuck Watson, ATU International Vice President