



April 20, 2011

Ms. Sue Potts, Financial Secretary Treasurer/Assistant B.A.  
Amalgamated Transit Union Local 1704  
505 North Arrowhead Ave.  
Suite 500A  
San Bernardino, CA 92401

Case Number: [REDACTED]  
LM Number: 543960

Dear Ms. Potts:

This office has recently completed an audit of Amalgamated Transit Union Local 1704 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 Financial Secretary Treasurer Sue Potts on April 13, 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.

The audit disclosed a violation of the LMRDA Section 206, by failing to maintain the following records during the audit period:

##### 1. Information not Recorded in Meeting Minutes

Local 1704 failed to maintain general membership meeting minutes for the months of April through June 2010 as well as executive board meeting minutes for the months of March through June 2010. Between March 1, 2010 and June 30, 2010, Local 1704 authorized and disbursed approximately \$58,691.40 worth of individual expenditures in excess of \$1,500 each. Although the authorized expenditures consisted of general operating expenses such as salary payments, taxes, legal fees and rent, the Local's failure to maintain the meeting minutes resulted in the disbursements not being properly documented.

## 2. General Disbursements

Local 1704 did not retain adequate documentation for disbursements by failing to maintain the majority of all original bank statements, which included the cancelled checks. In addition, Local 1704 failed to retain backup documentation for debit card transactions totaling approximately \$3,652.94 during the months of August 2009, April 2010 and June 2010, such as August 19, 2009 debit card transaction payable to Costco in the amount of \$156.36. This and other debit card transactions were not supported by receipts and or invoices.

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.

Based on your assurance that Local 1704 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

### Other Violations

#### Inadequate Bonding

The audit revealed a violation of the LMRDA Section 502 (a)-Bonding, which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year. Local 1704's officers and employees are currently bonded for \$30,000, but they must be bonded for at least \$46,275.22. Local 1704 is in the process of obtaining adequate bonding coverage for its officers and employees. Please provide proof of bonding coverage to this office as soon as possible, but no later than May 18, 2011.

### Other Issues

#### Salaries-Lost Time and Expense Policy (Article IV)

As was discussed during the exit interview with Sue Potts concerning lost time payments to former President Dale Moore, the audit revealed that Article IV (F) of Local 1704's Constitution and Bylaws does not clearly address the proper method of compensation for officers terminated from the employer but able to maintain their officer position pending the resolution of all appeal remedies available under the grievance process. OLMS recommends that the union adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Amalgamated Transit Union Local 1704 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,

Alan Weiss  
District Director

cc: Mr. Jeff Caldwell, President