

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Division of International Union Audits
Washington, D.C. 20210



August 31, 2009

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

Dear International President George:

The Office of Labor-Management Standards (OLMS) within the Department of Labor has recently completed a follow-up compliance audit of the Amalgamated Transit Union, AFL-CIO/CLC (ATU). The follow-up audit was conducted under the International Compliance Audit Program (I-CAP), pursuant to the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). The purpose of this follow-up audit was to assess the progress of the ATU in rectifying deficiencies identified during the original I-CAP audit.

This letter documents the areas reviewed and discussed with the ATU officials during on July 1, 2009. The meeting was conducted with Benetta Mansfield, Chief of Staff; Nancy Trumbull, General Counsel; and Aaron Hilligas, Associate Counsel. The purpose of the meeting was to review follow-up findings, including review of the second amended Form LM-2 report for fiscal year ending June 30, 2007 submitted by the ATU on December 12, 2008 and the ATU's letter of December 15, 2008, which describes actions the ATU has taken in response to the findings of the audit. The findings were first identified during the initial audit and in the audit closing letter dated November 19, 2008. The findings are summarized below along with an assessment of the ATU's progress in correcting them.

Neither the findings summarized in the initial audit nor the subsequent follow-up review purport to be an exhaustive list of all possible problem areas since the compliance audit and follow-up were limited in scope.

Reporting Deficiencies - LMRDA Section 201

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 I-CAP closing letter, dated November 19, 2008, identified 19 reporting deficiencies on the ATU's Form LM-2 for fiscal year ending June 30, 2007 in the following general areas: acquisition or disposition of assets, membership, investments, inadequate descriptions on schedules, misreporting of certain disbursement categories, and misreporting of per capita tax receipts. The ATU filed two amended Form LM-2 reports for fiscal year ending June 30, 2007; one filed during the I-CAP audit on April 15, 2008, and another filed after the completion of the I-CAP audit on December 12, 2008. During the follow-up audit, the I-CAP Team compared the original Form LM-2 for fiscal year ending June 30, 2007, to both of the amended Form LM-2 reports. The I-CAP Team determined that the ATU corrected some of the 19 reporting deficiencies on first amended Form LM-2 and each of the deficiencies on the second amended Form LM-2 for fiscal year ending June 30, 2007.

Inadequate Recordkeeping - LMRDA Section 206

Pursuant to Section 206 of the LMRDA, every person required to file any report under Title II of the LMRDA shall maintain records on the matters reported that provide, in sufficient detail, the information and data from which the documents 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 in age must be maintained if necessary to verify reports filed within the last five years.

The I-CAP closing letter identified five areas of deficient recordkeeping. The ATU did not retain adequate documentation for all reimbursed expenses and credit card expenses for its officers and employees. The ATU officers did not consistently submit and the ATU did not maintain itemized receipts for meal expenses. The ATU's records pertaining to meal expenses, also, at times did not include the full names and titles of all persons who incurred meal charges. The ATU also did not retain adequate documentation for disbursements paid to officers and employees as mileage reimbursements for business use of personal vehicles. Further, the ATU did not consistently maintain records necessary to verify the accuracy of member-at-large dues receipts.

In response to these findings, the ATU has taken steps to ensure that sufficient records will be maintained to comply with the LMRDA. During the follow-up audit, the I-CAP Team determined that the ATU adequately addressed all of the recordkeeping

deficiencies. The ATU revised its policies regarding expenses and travel. The policies now advise the officers and employees that they are required to:

- present adequate documentation for all reimbursed expenses and credit card expenses incurred;
- present adequate documentation in support of mileage reimbursements which identify dates of travel, locations traveled to and from, and the number of miles driven; and
- submit itemized receipts for meal expenses and include on the itemized receipts the full names and titles of all persons incurring the restaurant charges, and provide written explanation of the union business conducted.

To verify the accuracy of member-at-large dues receipts, the ATU instituted a procedure prior to the conclusion of the I-CAP audit requiring that copies of all checks received be retained.

Internal Controls

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

The I-CAP closing letter identified four internal control weaknesses in the following areas: unclear and disjointed procedures for processing funeral benefits payments; unclear policy on the applicability of the per diem reimbursement requirements to ATU staff; inadequate procedure for tracking documentation of business purpose for directly reimbursed expenses; and inadequate procedure for documenting bank reconciliation reviews.

During the follow-up, the I-CAP Team determined that the ATU has taken steps to strengthen internal controls in response to all of these findings. Consistent and comprehensible procedures for processing funeral benefit payments have been developed. The ATU clarified in its expense policy that per diem requirements apply only to International Vice Presidents, International Representatives and staff members employed in the Organizing Department. The ATU has developed a new expense reporting form that has a column for recording purpose of the expense. Lastly, the ATU has instituted procedures which require the assistant controller to initial the bank reconciliation as evidence that the review was completed.

Other Matters

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

The I-CAP closing letter identified 18 ATU local unions and an additional 18 intermediate bodies affiliated with (or subordinate to) the ATU that are subject to the requirements of the LMRDA, but that did not consider themselves subject to the Act. These 36 organizations failed to file with OLMS, the required informational and financial LM reports mandated by the LMRDA. During the I-CAP, the ATU voluntarily notified the organizations of the filing requirements and they agreed to comply. By the conclusion of the follow-up audit, 9 of the local unions and 7 of the intermediate bodies had filed the required reports mandated by the LMRDA.

As a result of this follow-up, OLMS considers this I-CAP audit to be concluded. If we can be of assistance in the future, please do not hesitate to contact us. Thank you again for the cooperation and courtesy extended by you and your staff during this compliance audit.

Sincerely,



James D. Devine, Chief
Division of International Union Audits

cc: Oscar Owens, International Secretary-Treasurer