



March 14, 2013

Mr. Miguel Claudio, President/Business Agent  
Transit Union AFL-CIO, Local 1512  
PO Box 3423  
Springfield, MA 01101

Case Number: 110-17623 [REDACTED]  
LM Number: 038673

Dear Mr. Miguel Claudio:

This office has recently completed an audit of Transit Union AFL-CIO, Local 1512 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 Mary Davila, and Attorney David Rome on March 6, 2013, 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 1512's 2011 records revealed the following recordkeeping violations:

#### 1. General Reimbursed and Credit Card Expenses

Local 1512 did not retain adequate documentation for reimbursed expenses and credit card

expenses incurred by President/Business Agent Miguel Claudio totaling at least \$4,706. For example, on December 11, 2011, a charge of \$120.16 was made at Advanced Auto Parts in East Hartford, CT and on September 9, 2011 a charge of \$115.52 was made at the Sheraton in Springfield, MA. The union did not maintain original receipts, bills or vouchers for these charges.

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.

## 2. Meal Expenses

Local 1512 did not require Miguel Claudio to submit itemized receipts for meal expenses totaling at least \$783.68. The union must maintain itemized receipts provided by restaurants to officers and employees. 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.

Local 1512 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, Miguel Claudio charged \$39.48 to the union credit card at Outback in Enfield, CT on July 26, 2011, but there is no receipt or explanation of union business. 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 names of the restaurants where the officers or employees incurred meal expenses.

## 3. Reimbursed Auto Expenses

During the audit year, Miguel Claudio charged approximately \$1,522.10 to the union credit card for gas. Per Local 1512's by-laws, Article 5, Section 2(A), states: "The mileage rate used to reimburse a union officer, executive board officer, or union member, for miles traveled with their personal vehicle used for union business will be the "Mileage Reimbursement Rate" issued by the U.S. General Services Administration for a "privately owned vehicle" (POV) on that pay week. This rate reflects current auto costs as determined in cost studies conducted by the GSA". Based on OLMS review of gas charges, there were instances when both gas was charged to the union credit card and direct reimbursement for mileage were claimed. For example on August 13, 2011, \$30.00 was charged to the union credit card at Exxon/Mobil in Ridgefield, NJ and \$154.02 in mileage was also claimed and reimbursed. A clear reimbursement policy for travel should be adopted, applied and followed.

In addition, 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.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1512's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

### Reporting Violations

The audit disclosed violations 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 (LM-3) filed by Local 1512 for the fiscal year ended December 2011, was deficient in the following areas:

#### 1. 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 1512 amended its constitution and bylaws in 2009, but did not file a copy with its LM report for that year. Local 1512 provided a copy of the bylaws at the exit interview on March 6, 2013.

#### 2. Disbursements to Officers

Local 1512 did not include some reimbursements to Miguel Claudio totaling at least \$995.92 in the amounts reported Item 24 (All Officers and Disbursements to Officers), Column (E) (Allowances and Other Disbursements).

The union must report most direct disbursements to Local 1512 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

I am not requiring that Local 1512 file an amended LM report for 2011 to correct the deficient items, but Local 1512 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As I discussed during the exit interview with Miguel Claudio and Mary Davila, the audit revealed that Local 1512 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters. The union should also ensure that there is a full understanding, in the form of membership or executive board authorizations recorded in meeting minutes, about the level of salary, allowances, and expenses (if any) to which the union's officers are entitled. The union should also require that the financial officer give a full report of the union's finances at each membership or executive board meeting and that prior authorization be obtained for large or unusual transactions.

Due to the nature of the violations the audit disclosed, OLMS may return in the future to verify that the named violations have been corrected. Failure to comply may then be construed as willfull violations of the LMRDA and a referral may be made the the U.S. Attorney's Office for enforcement action.

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: Ms. Mary Davila, Financial Secretary  
Mr. Andrew Woods, Vice President  
Ms. Karol Birdsall, Recording Secretary  
Mr. Terence E. Coles, Attorney