

aggregated entries. Individual (or "major") receipts and disbursements, as well as payments to or from a single entity or individual that aggregate to meet the disclosure threshold, must be reported.

The Department received several comments supporting itemization. Most of these comments expressed general approval for requiring disclosure of financial information in greater detail. A common theme of these comments was a belief that the Department's proposal would increase the accountability of union officials to union members, serve to discourage union corruption, and improve overall union democracy. One comment cited a specific instance in which union officials concealed improper transactions within aggregated disbursements, which could have been prevented (or at least identified) by itemized reporting. Similarly, commenters related well-publicized situations involving union officers who allegedly misappropriated funds as examples of instances where itemization, by allowing members to detect questionable transactions, would have limited the damage to the union and its finances and, perhaps, deterred the individuals involved from breaching the obligations entrusted to them. Other commenters stated that without itemization "and the transparency it brings to union finances "union members have little defense against the potential mismanagement and misappropriation of union funds. Unusual spending patterns or shifts in expenses, as revealed in a Form LM-2, a commenter stated, may tip union members off to fraud and abuse, allowing them the option of disciplining or removing wasteful or corrupt union leaders.

Other comments supported itemization because it replaces broad categories with more useable, informative, and detailed data. These commenters emphasized the members' right and need to know how a union is spending their money to ensure that it is being managed well and spent wisely. Members expressed particular concerns about the lack of information about various categories of expenses, among them political activities, joint labor-management programs, and the transfer of funds to other entities. The Regulatory Studies Program of the Mercatus Center at George Mason University commented, "By increasing the number of classification categories, lowering the dollar level of disclosures, and by potentially increasing the number of people who must participate in a potential fraud, the revised reports * * * should make committing fraud

more costly than it is under current disclosure rules."

Many commenters turned to recent corporate finance scandals in describing their general support for greater transparency among institutions, whether governmental, business, or labor organizations. They stated that greed can infect any organization and that disclosure is its best remedy. As noted by some commenters, the fiscal integrity of labor organizations has a profound impact on the financial stability and security of employees. The mismanagement, or failure, of labor organizations can cause major disruptions in work relationships, retirement plans, and overall employee well being.

The Department received voluminous comments opposing itemization and raising a number of concerns about the necessity of reporting this information; potential problems involving adequate accounting systems; possible adverse consequences from disclosing the required information; and a variety of other issues.

Several comments opposed itemization in general as too costly or burdensome because current union accounting systems or practices do not capture all of the information required by the criteria, and that electronic record keeping systems will have to be reconfigured to comport with the revised form. The Department believes the comments overstate the technological difficulties involved in transforming existing accounting systems to accommodate itemization procedures. Preliminarily, union officers and employees will need to study the instructions and forms, and thereby gain an understanding of the new requirements. The Department will launch a compliance assistance initiative that includes an overview of the requirements, a comparison to the old requirements, a tentative schedule of seminars for international, national, intermediate and local unions hosted throughout the country, an email list-serve to provide periodic updates to interested parties, web-based materials that include frequently asked questions, a description of the Form T-1 registration process, and other topics of interest to filers.

Once union officials understand the new reporting requirements, it may be necessary to make some adjustments to their recordkeeping systems. The most important change that should be made immediately involves the tracking of disbursements and "other" receipts to ensure that each disbursement and "other" receipt is allocated to the proper disbursement category with a

descriptive purpose. Although some commenters asserted that this is a dramatic policy shift tantamount to imposing a new accounting system, unions have always been required to allocate each disbursement to one or more disbursement categories on the Form LM-2. The revised form alters the categories but not the underlying method of allocating these disbursements. Indeed, there are fewer disbursement categories on the new form. After allocating the disbursement, the union officer or bookkeeper makes a brief entry on the "purpose" for each transaction in a memo field. These sorts of operations are routine within accounting systems; organizations change the way disbursements are classified in the normal course of business.

The AFL-CIO's survey data also suggests that many unions already maintain their records and accounting systems in ways that are readily compatible with the requirements of the final rule. For example, the AFL-CIO's survey data suggest: 59% of national and international unions record expenses by type of activity or functional category; 62% of unions can generate the required itemization detail; 86% of unions do not have trouble downloading information from their account systems into a spreadsheet; 40% of national and international unions have a system of accounts receivable that is immediately compatible with the final rule, and 66% of national and international unions have a system of accounts payable that is immediately compatible with the final rule. Labor organizations that do not currently maintain electronic books, or that use accounting software that cannot be modified to track the data required by the revised form, will experience an increased burden, but as the analysis under the Paperwork Reduction Act indicates in Section V, the burden is, on average, a modest one.

The burden of reporting the individual items required by Schedules 14-19 is minimized by the electronic reporting system, which creates efficiency gains by performing the administrative functions of the reporting system. To this end, the Department has provided technical specifications to assist labor organizations in converting financial data into a form supported by the Department's electronic filing software. The technical specifications contained in the appended Data Specifications Document (DSD) inform affected unions of the various data formats that can be exported into the electronic form. Filers will have the option of exporting itemized data from