

would be impossible to expand the recordkeeping capacity of their current accounting systems to accommodate the additional data required by the proposed rule. The AFL-CIO survey also found that all national and international unions maintain their accounting data on in-house computer systems—but many of those systems are incapable of interfacing with the Department's software. Information submitted by the AFL-CIO also suggests, however, that: 79% of national and international unions and 67% of local unions will not need any new computer hardware; 38% of national and international unions and 25% of local unions will not need any new or upgraded computer software; and 86% can expand their current accounting systems to include the additional fields to accommodate functional reporting. Moreover, raising the Form LM-2 filing threshold to \$250,000 will enable 501 of the smallest filers, and those most likely to have software and hardware issues, to file the less burdensome Form LM-3. Further, as identified in the technical feasibility study performed by SRA, the Department is committed to developing reporting software for LM-2 filers that is compatible with the major export formats available in commercial, off-the-shelf accounting software. Finally, in the event that a labor organization encounters severe difficulties, the hardship exemption will be available for its use.

One union noted that it is going to be very difficult and maybe impossible for unions using a commercial off-the-shelf bookkeeping system (Quickbooks, Peachtree, etc.) to find a way to incorporate these details into their accounting databases. Almost all unions, it observed, will have to do special programming to find a way to do this. For the integrity of all the other accounting functions, the system must show the payee of the check (e.g., American Express), but for the revised Form LM-2 the system will have to ignore that vendor and instead insert the names of the hotels, airlines, restaurants, etc. Finally, one union asserted that the Department's burden estimates are completely mistaken, and are based on alleged efficiencies to be gained from using software that the Department purports will seamlessly export financial data. In its view, it is impossible to determine which, if any, financial software packages will be compatible with the Department's software. There is no way, in its opinion, to comment meaningfully on the burden associated with the proposed

rule without knowing how the software will work.

In light of all of these concerns, the Department reassessed its estimate of the burden and cost of complying with this revision of Form LM-2 and revised its estimate significantly upward. The Department has never contended that the changes would be without cost; the real question is whether the increase in cost, once it is accurately measured, is justified by the increased benefits to union members. The Department has concluded, on balance, that technological advances have made it possible to provide the level of detail necessary for union members to have a more accurate picture of their union's financial condition and operations without imposing an unwarranted burden on reporting unions.

OLMS staff who review the reports filed and provide compliance assistance to unions have found that a majority of unions required to file Form LM-2 use computerized recordkeeping systems and have embraced the technology necessary to provide reports in electronic form. Several OLMS field offices report that even smaller unions that file Form LM-3 reports keep electronic books. The development of electronic software that will permit unions that keep their records electronically to import data from their programs to the Form LM-2 software should reduce the burden of reporting financial information with the specificity required by the final rule. While labor organizations have not previously been required to report all of this information, they have been required to make judgments regarding the appropriate characterization of disbursements in order to report those disbursements by category in the current form. Once the necessary adjustments have been made to electronic recordkeeping systems, no additional burden will be entailed by the need to make similar judgments with respect to fewer categories. Labor organizations that do not currently maintain electronic books, or that use accounting software that proves incompatible with the software developed by the Department, will experience an increased burden.

The Department has given serious consideration to the comments suggesting that the Department employ a pilot program before implementing a final rule or allow a delayed phase-in of the electronic reporting requirement. As explained (and further elaborated below), the Department's final rule builds upon the existing technology used by large and small businesses, labor unions, and other organizations to

manage their finances. This technology has been available for several years and is used by many individuals to manage their family finances. As discussed elsewhere, the changes that need to be made by unions in their bookkeeping and accounting practices are incremental ones. The Department believes that most unions' existing financial software will accommodate the minimal changes required to comply with the rule. For data entry purposes, the only changes required will be the modification of the categories and fields to chart the union's accounts in a way that tracks the reporting categories. While the Department acknowledges that it will take the individuals responsible for tracking each union's financial matters some time to familiarize themselves with the instructions in order to modify categories, the actual time required to add the modified accounts to the tracking software will be nominal (from a few days to a week or more). Similarly, as discussed below, there is no apparent obstacle for unions to comply with the actual electronic submission of the information to the Department, an obligation that no union will have to meet until about 18 months after the publication of the final rule.

After considering the comments regarding implementation, the Department has chosen to delay the effective date of the rule to provide additional time for all labor organizations to make the adjustments necessary to record the information required. The Department believes that a pilot program is unnecessary. If the technology was not mature or the rule was introducing a concept or requirement unfamiliar to unions, a pilot program might have served a useful purpose. The rule, however, relies on mature technology that is in common use among unions, businesses, and other organizations. The Department's investigative and audit experience reflects that unions are well experienced in tracking receipts and disbursements and reporting this information to members. Unions also have demonstrated considerable proficiency in using software to obtain these results.

For similar reasons, the Department believes it unnecessary to phase-in the new rule. As discussed, the Department does not believe that unions will encounter significant problems in revising their current bookkeeping and accounting procedures to meet the reporting requirements. And, to the extent unions are concerned about the actual submission of the data to the Labor Department, that will not occur