

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Philadelphia District Office
170 S. Independence Mall West
Room 760
Philadelphia, PA 19106
(215)861-4818 Fax: (215)861-4819



July 16, 2008

Mr. Mark Chalupa, Secretary-Treasurer
Locomotive Engineers, Div 231
3637 Reed Street
Philadelphia, PA 19146

LM File Number: 541-701
Case Number: [REDACTED]

Dear Mr. Chalupa:

This office has recently completed an audit of Locomotive Engineers Div 231 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 on Friday, July 11, 2008 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 Violation

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 Division 231's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Division 231 did not retain adequate documentation for some credit card expenses or monthly bills incurred by President Robert Frances, Secretary Treasurer Mark Chalupa, or Local Chairman Martin Crothers. For example, there were charges made to United States Postal Service and Staples for union mailings and administrative expenses that lacked any receipts. The credit card statement was the only backup documentation kept by the Division.

As previously 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. Failure to Record Receipts

Div 231 did not keep adequate receipt records. During the audit year, no records were kept to reflect direct payments from the three members not on dues check off. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

3. Receipt Dates Not Recorded

Entries in Division 231's employer check off list did not reflect the date the union deposited money or the date the money was received. Union receipt records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Mr. Mark Chalupa
July 16, 2008
Page 3 of 3

Based on your assurance that Div 231 has started a receipts journal and will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issue

Use of Signature Stamp

During the audit, Chalupa advised that it is Div 231's practice to use a signature stamp for President Robert Frances the majority of the time. Chalupa indicated that all monthly expenses are automatically approved and anything beyond is approved at the membership meeting. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use of a signature stamp does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Div 231 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to 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,



Investigator

CC: Robert Frances, President