



October 17, 2005

Mr. Thomas Voelk, President
Locomotive Engineers, Division 517
21921 Harrow Ave N.
Forest Lake, MN 55025

Re: 

Dear Mr. Voelk:

This office has recently completed an audit of Locomotive Engineers, Division 517 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 your union's treasurer, Kevin Foley, on October 5, 2005, 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.

Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

The following record keeping violations were revealed during the audit of Division 517's 2004 records:

1. Failure to Keep Documentation for Expenses

Union officers failed to retain adequate documentation for reimbursed expenses which were direct-paid by the union. The date, amount, and business purpose of every expense must be recorded on at least one union record.

In the case of Division 517, General Chairman Jason Quam failed to maintain some receipts for reimbursed office expenses. For example, Mr. Quam received ~~4~~ in the amount of \$318.24 for reimbursement of expenses he incurred during March and April 2004. However, Mr. Quam only submitted receipts documenting expenses totaling \$231.40

With respect to documentation retained in support of specific disbursements, the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In addition union officers failed to retain adequate documentation for reimbursed mileage expenses. For example, Mr. Quam did not identify the date of travel, the locations traveled to and from, or the union business conducted that required the mileage expenses be incurred. In the case of reimbursed mileage expenses for personal vehicles used for business travel, records must be maintained which identify the date of travel, locations traveled to and from, number or miles driven, and the business purpose of each use.

2. Receipt Records

Division 517 failed to record in its records the dates that monies were received. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

Provided that Division 517 maintains adequate documentation for its receipts and disbursements in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Division 517 for fiscal year ending December 31, 2004 was deficient in the following areas:

1. Reimbursements to Officers not Reported in Item 24

Division 517 failed to include numerous reimbursed expense payments to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in Item 48 (Office & Administrative Expense).

All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in Item 24. A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value.

An "indirect disbursement" to an officer is a payment made by your organization to another party (including credit card companies) 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 Expenses).

2. Failure to Report Change in Bvlaws and Failure to File Bylaws

The CAP disclosed a violation of LMRDA section 201(a) which requires that unions submit a copy of their current constitution and bylaws with its LM report when bylaw changes are made. Division 517 amended its bylaws in 2004 when the Division merged with the International Brotherhood of Teamsters, but a copy of the bylaws was not filed with Division 517's LM-3 report for that year. A copy of Division 517's bylaws has now been filed.

I am not requiring that Division 517 file an amended LM-3 report for 2004 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

Other Issues

Use of a Signature Stamp

During the audit, Treasurer Foley advised that he uses a signature stamp to affix your signature to all union checks. Your union's bylaws require that all checks be signed by two officers. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance or use of a signature stamp does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. You may want to revise your check disbursement method.

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I want to extend my personal appreciation to Mr. Foley for his cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

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Supervisory Investigator

cc: Kevin Foley

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