



January 24, 2011

Mr. Carroll Knudsen, President  
Locomotive Engineers, IBT, Division 495  
2365 County Road 61  
Deatsville, AL 36022

Case Number: [REDACTED]  
LM Number: 006906

Dear Mr. Knudsen:

This office has recently completed an audit of Locomotive Engineers, IBT, Division 495 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 and Secretary/Treasurer Alfred Santorelli on January 21, 2011, 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 Division 495's 2010 records revealed the following recordkeeping violations:

1. General Disbursements

Division 495 did not retain adequate documentation for disbursements totaling at least \$159.00. For example, check number [REDACTED], dated 5-18-2010, in the amount of \$159.00, payable to SMA Scholarship did not have an invoice or receipt.

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. Information not Recorded in Meeting Minutes

During the audit President Carroll Knudsen advised OLMS that the membership authorized a gift of \$159.00 in May 2010 to the Southeastern Meeting Association Scholarship program. Section 24(b) of the By Laws requires the membership to approve such expenses. The minutes of the meetings do not contain any reference to this issue. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

3. General Reimbursed Expenses

Div 495 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$377.40. For example, the division reimbursed Local Chairman Terry Thomas \$16.45 per month for the use of a fax line in Thomas's home. Additionally check number [REDACTED], dated 8-17-2010, in the amount of \$180.00, payable to President Carroll Knudsen for a union cookout did not have an adequate explanation of the nature of the union business or a receipt or invoice.

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.

4. Lack of Salary Authorization

Division 495 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

5. Lost Wages

Division 495 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees totaling at least \$900.00. The union must maintain records in support of lost wage claims that identify each date lost wages were

incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Division 495 maintained lost time vouchers, however; four of the vouchers did not identify the nature of the union business or the rate of pay due the member.

During the exit interview, I provided a sample of an expense voucher Division 495 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

Based on your assurance that Division 495 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

#### Reporting Violation

The audit disclosed a violation 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 (Form LM-3) filed by Division 495 for fiscal year ending December 31, 2009 (latest year on file), was deficient in the following area:

##### Disbursements to Officers

Division 495 did not include some reimbursements to officers totaling at least \$2,221.00 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 24(E) instead of Item 24(D).

The union must report most direct disbursements to Division 495 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 Division 495 file an amended LM report for 2009 to correct the deficient item, but Division 495 has agreed to properly report the deficient item on all future reports it files with OLMS.

#### Other Issue

### Signing Blank Checks

During the audit, you advised that you sign blank checks. Your union's bylaws require that all checks be signed by the president and treasurer. 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Division 495 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Locomotive Engineers, IBT, Division 495 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: Mr. Alfred Santorelli, Secretary/Treasurer