

U.S. Department of Labor

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December 4, 2008

Mr. Glenn Hutchinson, President
Locomotive Engineers, IBT Division 174
4608 Nicolet Drive
Stevens Point, WI 54481

LM File Number: 540-807
Case Number: [REDACTED]

Dear Mr. Hutchinson:

This office has recently completed an audit of Locomotive Engineers, IBT Division 174 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 Treasurer Ken Moscinski and Michael Corrigan on November 20, 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 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 174's 2007 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Entries in Division 174's check register reflect the date the union deposited money, but not the date money was received. The audit revealed that Division 174 records its receipts in a checkbook ledger that identifies the names of those who remitted money to the union. However, the ledger identifies the deposit date, rather than the date the money was received. For example, on July 15, 2007, there is a single entry in the check register for a deposit of \$1,300 includes \$500 from [REDACTED], [REDACTED], and [REDACTED], \$500 from [REDACTED] (and [REDACTED] and [REDACTED]) and \$300 from [REDACTED] and [REDACTED]). During the opening interview, Mr. Moscinski stated that he received these checks on three separate dates but deposited them on the same day. Union receipts 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.

2. Bank Records

Division 174 failed to retain the May 2007 bank records for the union's checking account, including the monthly statement, deposit transaction tickets provided by the bank, and cancelled checks. For purposes of completing the audit, a copy of the bank statement was obtained from Anchor Bank.

All original bank records must be maintained.

3. General Expenses and Payments to Officers

During the audit year, supporting documentation was not maintained to explain the purpose of several disbursements, including: check # [REDACTED] to CIFS for \$55; check # [REDACTED] to Sally Lunt for \$40; check # [REDACTED] to UTU Local 582 for \$525; and check # [REDACTED] to Staples for \$83.46.

The audit also revealed that Division 174 failed to retain sufficient documentation for several payments made to union officers for reimbursed expenses. These payments include:

- a) Cell Phone Bills: Mr. Moscinski received more than \$900 in payments from Division 174 for the reimbursement of a portion of his personal cellular phone bill. The only documentation that was maintained for these expenses was the monthly summary page of each cell phone bill. Additionally, check # to Vice Local Chairman Jon Schommer included an expense payment of \$146 for personal cell phone charges; however no documentation was retained in the union's records to support this expense.

If Division 174 directly pays the personal cell phone bills of union personnel or reimburses union personnel for any portion of their cell phone expenses, the union must retain the original phone bills and additional information clearly identifying the charges paid by the union.

- b) Mileage Payments: You and Mr. Corrigan incurred over \$500 in mileage expenses during the audit year. The documentation that was retained by the division for those payments was insufficient because the records failed to identify the number of miles driven for each trip, the rate at which the mileage was paid, and the specific purpose of the union business being conducted.

The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

- c) Supply expenses: Check # to Mr. Schommer included payment of \$143.55 for reimbursed supply expenses. The voucher submitted by Mr. Schommer identified the expenses as ink cartridges, paper, postage, and computer time; however there were no receipts or other documentation in the records to support this payment.

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.

4. Lost Wages

Division 174 did not retain adequate documentation for lost wage reimbursement payments to Mr. Corrigan, Mr. Schommer, and Mr. Moscinski totaling at least \$1,400. The audit found that Division 174's lost wage vouchers did not identify the specific dates the lost wages were incurred nor did they include an adequate description of the purpose of the lost wages.

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.

Based on the assurance that Division 174 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issues

1. Signing Blank Checks

During the audit, Mr. Moscinski advised that you occasionally sign blank checks. 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 174 review these procedures to improve internal control of union funds.

2. Expense Policy

As I discussed during the exit interview with Mr. Moscinski and Mr. Corrigan, the audit revealed that Division 174 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement, including home phone bills and personal cell phone bills. OLMS recommends that unions adopt written guidelines concerning such matters.

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I want to extend my personal appreciation to Locomotive Engineers, IBT Division 174 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: Ken Moscinski, Treasurer
Michael Corrigan, Local Chairman
Kevin Immormino, Vice President