



July 6, 2012

Mr. Kenneth Flashberger, General Chairman  
United Transportation Union  
General Committee of Adjustment 987  
1221 Delanglade Street  
Kaukauna, WI 54130-4125

Case Number: [REDACTED]  
LM Number: 541670

Dear Mr. Flashberger:

This office has recently completed an audit of United Transportation Union, General Committee of Adjustment 987 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, Vice Chairman Scott Seggerman, Secretary Ken Jackson and Secretary Kathy Olson on June 13, 2012, 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 GCA 987's 2011 records revealed the following recordkeeping violation:

#### Meal Expenses

Section II of the GCA 987 bylaws provides that meal expenses are paid on a per diem basis, and identifies both "away from home" and "local" per diem rates. However,

during the opening interview, you advised that you routinely submit meal receipts for reimbursement at the actual cost of in town meals because they are always significantly less than the allowed per diem rate. (\$45) You advised that you document the meal expenses on wage and expense vouchers and attach restaurant receipts to the vouchers which are forwarded to the UTU for payment.

Many of the meal expenses for which you were reimbursed were charged to a personal credit card. While you normally submitted copies of credit card receipts that identified the dates, total amounts, and the names of the restaurants, you failed to retain itemized credit card receipts for at least \$130 of meal expenses you incurred. Itemized receipts provided by restaurants to officers and employees must be retained. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

In addition, the records of meal expenses maintained by GCA 987 did not always include a sufficient written explanation of the union business conducted. For example, on July 22, 2011, you incurred a meal expense of \$19.78 at the Lazy Dog in Green Bay, WI for which you were reimbursed on or about August 8, 2011. The union business purpose of the meal was identified on the voucher as "business lunch" with no additional information provided. Such explanations are not sufficiently descriptive.

Records of meal expenses must include adequate written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

Based on your assurance that GCA 987 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

#### Reporting Violations

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 GCA 987 for the fiscal year ended December 31, 2011 was deficient in the following areas:

1. Disbursements to Officers

GCA 987 erroneously included a reimbursement to you for the purchase of fixed assets in the amount reported next to your name in Column E (Allowances and Other Disbursements) of Item 24. (All Officers and Disbursements to Officers) The monthly financial reports prepared by the UTU and provided to OLMS for the audit identify payments to you totaling \$4,948 and include a payment for \$271.22 to you on June 13, 2011 for the purchase of tables and chairs. This same total amount (\$4,948) is reported next to your name in Column E of Item 24.

Although most direct disbursements to GCA 987 officers and some indirect disbursements made on behalf of its officers must be included in the amounts reported in Item 24, there are several exceptions which require certain disbursements to be reported elsewhere on the report. The LM-3 instructions for Item 24 (Page 11) identify the types of disbursements that are not to be included in the amounts reported in Item 24, and include reimbursements to officers for the purchase of investments or fixed assets. These disbursements must be reported in Item 52 (Purchase of Investments and Fixed Assets) and explained in Item 56. (Additional Information)

2. Payments to Employees

Item 17 (During the reporting period did your labor organization pay any employee salary, allowances, and other expenses which, together with any payments from affiliates, totaled more than \$10,000) should have been answered "Yes" because GCA 987 disbursed \$24,700 in gross wages to Secretary Kathy Olson during the audit year. The LM-3 instructions for Item 17 require that the name and position of each employee (and the names of the other affiliated labor organizations which made disbursements to or on behalf of the employee if applicable) must be identified in Item 56 (Additional Information). The total disbursements made to each employee by GCA 987 (and any other organization from which they received payments, if applicable), including all salary and allowances (before deductions) and other disbursements (including reimbursed expenses), must also be included in the additional information section of the report.

I am not requiring that GCA 987 file an amended LM report for 2011 to correct the deficient items, but GCA 987 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Wage Policy

Officers of GCA 987 do not receive a regular monthly salary. However, officers are periodically compensated by payments to them for hours worked on union business. These hours are typically documented on vouchers that identify the work completed and the dates worked.

Section I of the GCA 987 bylaws dated January 21, 2011 states, "All Officers and Members of the General Committee of Adjustment shall be considered part-time. The current part time salary recognized by the Board of Directors is three hundred and thirty dollars (\$330) per day. The General Chairperson shall receive three hundred and thirty dollars per day. Other Officers and Members of the Committee shall receive three hundred and thirty dollars per day for service rendered, upon the approval of the General Chairperson." You stated that GCA 987's practice is to compensate its officers and members who do union work by paying them \$330 per day on each date that they work on union business and that in all instances the full amount is paid for each date worked. The officer or member is responsible for submitting a voucher for payment.

The audit revealed that GCA 987 does not have any policies or procedures regarding whether or not officers may receive pay from the union on dates that they also work for their employer. The audit revealed that during 2011, you received wages from GCA 987 for work completed on 211 different days totaling \$69,760. Secretary Kathy Olson submitted wage and expense vouchers signed by you to the UTU which identified the dates on which you worked for the GCA. In addition to the vouchers, you also submitted an activity log to the UTU which documented the specific work you completed for the GCA on a daily basis. The wage claims were all paid by way of direct deposits to your bank account by the UTU. As discussed, a review of your time and attendance records revealed that you worked and received wages from Canadian National on 30 days that you also claimed and received wages from the GCA. The audit revealed several local chairmen of the GCA were not aware that you were being compensated by the GCA on days that you were working for Canadian National and the local chairmen provided conflicting information regarding whether or not union policies permitted you to receive pay from the UTU and Canadian National on the same day.

As I discussed during the exit interview with you, Mr. Seggerman and Mr. Jackson, the audit revealed that GCA 987 lacks a clear written policy regarding the circumstances under which officers and members of the GCA may receive wages from the union, including instances when they are receiving wages from the employer for days worked, vacation days, or some other type of paid leave, and also claiming wages from the GCA. OLMS recommends that unions adopt written guidelines concerning such matters to help ensure effective internal controls and safeguard union assets. During the exit interview, I provided you with OLMS Compliance Tips "Authorization for Salary and Paid Leave for Union Officials" and "Union Lost Time Payments" which both offer additional guidance on this matter.

I want to extend my personal appreciation to United Transportation Union, General Committee of Adjustment 987 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,

A solid black rectangular box redacting the signature of the investigator.

Investigator

cc: Mr. Scott Seggerman, Vice Chairman  
Mr. Ken Jackson, Secretary  
Jim Green, Local Chairman  
Jim Bucsko, Local Chairman