



December 17, 2014

Mr. James Davenport, President  
Locomotive Engineers, IBT Division 253  
12 Elm Street  
Endeavor, WI 53930

Case Number: 320-6002584  
LM Number: 069313

Dear Mr. Davenport:

This office has recently completed an audit of Locomotive Engineers Division 253 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 Kelly McKay and Vice President Matthew Gibbons on December 9, 2014, 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

1. Reimbursed Auto Expenses

Chairman Chuck Vesely received reimbursement for the business use of his personal vehicle but did not retain adequate documentation to support the payments to him totaling approximately \$200 during 2013. Although Mr. Vesely's claims were documented on an "Expenses Claim Form," he failed to identify the starting and ending destinations of the trip. Furthermore, during the audit, Mr. McKay advised that Division 253 pays mileage rates consistent with the rates established by the Internal Revenue Service (IRS) that are in effect at the time of travel. The IRS rate for mileage during 2013 was .56/mile; however, Mr. Vesely used alternate rates of .555/mile and .51/mile for mileage claims during the audit year.

Division 253 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.

Based on your assurance that Division 253 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 Division 253 for the fiscal year ended December 31, 2014, was deficient in the following areas:

#### 1. Disbursements to Employees

Division 253 reported payments to employees totaling \$546 in Item 46 (to Employees); however, substitute secretary [REDACTED] was the local's only employee during 2013 and the net payments to [REDACTED] in 2013 totaled only \$175.92. During the exit interview, Treasurer McKay advised that he erroneously reported some payments to you in Item 46.

Most direct disbursements to Division 253 officers and some indirect disbursements made on behalf of its officers must be reported 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).

#### 2. Other Receipts

Division 253 erroneously reported receipts totaling \$1,312 in Item 43 (Other Receipts). Receipts records retained by Division 253 revealed the division received miscellaneous receipts totaling only \$245 during the year. Mr. McKay advised that he erroneously included checks that were voided and added back into cash in early 2014 in the amounts reported in Item 43.

The purpose of Statement B (Receipts & Disbursements) is to report the flow of cash in and out of your organization during the reporting period. Although voided checks that are added back into cash are not new sources of money to the organization, unions must report the adjustments in the correct reporting period in order for the report to reconcile. The records show that the voided checks were still listed as outstanding at the end of 2013; therefore, the amount of the voided checks that were returned to cash should be reported on the 2014 report in Item 25 (A) (Cash, Start of the Reporting Period) and an explanation of the adjustment must be provided in Item 56 (Additional Information).

I am not requiring that Division 253 file an amended LM report for 2013 to correct the deficient items, but Division 253 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Dual Signature Requirement

During the audit, Mr. McKay advised that all checks are signed by him and co-signed by either the president or vice president of the division. This practice is consistent with the provisions outlined in Section 13 of the local division rules established in the BLET Bylaws, which requires all disbursements of union funds by check to be signed by the secretary treasurer and either the president, vice president, or alternate secretary treasurer. However, a review of Division 253's cancelled checks revealed that at least 13 checks that cleared Division 253's checking account during the audit period included only Mr. McKay's signature. 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. OLMS recommends that Division 253 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Locomotive Engineers Division 253 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. Charles Vesely, Local Chairman  
Mr. Kelly McKay, Treasurer  
Mr. Matthew Gibbons, Vice President