



April 29, 2011

Mr. Daniel Holdcroft, Secretary-Treasurer  
Locomotive Engineers, IBT Div 502  
10545 Flint  
Overland Park, KS 66214

Case Number: [REDACTED]  
LM Number: 012017

Dear Mr. Holdcroft:

This office has recently completed an audit of Locomotive Engineers, IBT Div 502 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 President Robert Oberzan on April 14, 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 502's 2009 records revealed the following recordkeeping violations:

#### 1. General Reimbursed Expenses

Division 502 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$4,344. For example, receipts, bills, and vouchers were not

retained for “monthly expenses” reimbursed to Local Chairman Roger Taylor totaling at least \$3,250.

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. Lost Wages

Division 502 did not retain adequate documentation for lost wage reimbursement payments to Local Chairman Roger Taylor totaling at least \$16,568. 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 502 did not retain any documentation to support the lost wage reimbursements to Taylor.

During the exit interview, I provided a sample of an expense voucher Division 502 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.

3. Lack of Salary Authorization

Division 502 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.

Based on your assurance that Division 502 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

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 502 for the fiscal year ended December 31, 2009, was deficient in the following areas:

1. Disbursements to Officers

Division 502 did not include some reimbursements to officers totaling at least \$4,474 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expenses).

The union must report most direct disbursements to Division 502 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).

## 2. Dues/Per Capita Tax

Division 502 incorrectly reported member dues received by the union. It appears the union erroneously reported per capita tax that the union did not receive.

If an intermediate or parent body receives dues checkoff directly from an employer on behalf of your organization, do not report in Item 38 the portion retained by that organization for per capita tax or other purposes, such as a special assessment. The purpose of Statement B is to report the flow of cash in and out of your organization during the reporting period.

## 3. Cash Reconciliation

While the cash figures reported in Item 25 (Cash) were the correct figures according to Division 502's books after reconciliation to the bank statements, including per capita tax in Item 38 (Dues) and Item 47 (Per Capita Tax) resulted in the union's cash figures not reconciling.

Division 502 filed an amended report during the course of the audit and has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Locomotive Engineers, IBT Div 502 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. Robert Oberzan, President