



July 15, 2016

Mr. Mark Terpstra, President
Locomotive Engineers, IBT Division 13
[REDACTED]
LaCrosse, WI 54601

Case Number: 320-6006950 [REDACTED]
LM Number: 005325

Dear Mr. Terpstra:

This office has recently completed an audit of Locomotive Engineers, IBT Division 13 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, Secretary Treasurer Michael Pauly, and Local Chairman Robert Krueger on June 30, 2016, 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 13's 2015 records revealed the following recordkeeping violations:

1. Failure to Keep Records for the Benevolence Fund Account

The audit revealed that Division 13 maintains a checking account that is used primarily to deposit funds donated by members and employees of BNSF for Division 13 members who are off work on sick or disability leave. The money is then subsequently disbursed by check to the sick or disabled member. During the audit period, Division 13 deposited receipts totaling \$1,761 in this

account and issued checks totaling \$1,405 from this account. Division 13 failed to record any of these transactions in the union's receipts and disbursements journals. Secretary Treasurer Pauly advised that Division 13 has not maintained records for that account because they did not believe it was a reportable account on the union's LM report. However, the account is controlled by the union, is in the name of the union, and is exclusively used for benefit of union members. Therefore, the receipts and disbursements for this account are reportable on the union's LM-3 report, and as such, Division 13 must maintain adequate records for the account. These records include, but are not limited to, documents that identify the date, amount, source, and purpose of all receipts, as well as documents that identify the date, amount, payee, and purpose of all disbursements. In addition, the labor organization must also retain bank records for all accounts.

2. Lack of Authorization for Office Rent Expense Allowance

Division 13 did not maintain records to verify that allowance amounts reported in Item 24 (All Officers and Disbursements to Officers) Column E (Allowances and Other Disbursements) were the authorized amounts and were correctly reported.

During the audit year, Division 13 disbursed over \$8,000 to union officers, including the secretary treasurer, the local chairman, and each of the four vice local chairman, for the purpose of a monthly "office rent" expense allowance. Secretary Treasurer Pauly advised that these monthly allowances are intended to reimburse officers for expenses related to the use of their homes for the purpose of conducting union business as Division 13 does not maintain an office or other space for this purpose. However, Division 13 has no written records that document the authorization to pay officers for a monthly office rent.

The union must keep a record, such as meeting minutes, to show the current expense allowances authorized by the entity or individual(s) in the union with the authority to establish these amounts.

3. Meal Expenses

Division 13's records of meal expenses did not always include the names and titles of the persons incurring the restaurant charges. For example, Vice Local Chairman Joshua Weatherford received almost \$400 by way of check [REDACTED] (\$157.55) and check [REDACTED] (\$239.56) for reimbursement of two meal expenses in which he took new members out for lunch during orientation. However, the records maintained by Division 13 were deficient in that the names of those present for the meal expenses were not identified in the union's records.

Union records of meal expenses must include 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 Division 13 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issue

Credit Card Policy

The audit revealed that Division 13 disbursed over \$1,100 to VISA for union credit card charges incurred by Secretary Treasurer Pauly and Local Chairman Robert Krueger; however, Division 13 has no written policy governing the use of the union credit card other than a standing motion passed at a union meeting several years ago. The standing motion generally describes the manner in which the credit card is to be used, but it does not serve as a written policy since the motion is specific to the officers who were in office at the time the motion was passed.

To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish a written policy that outlines the best practices for monitoring credit card use and administering payments within your union. OLMS recommends that unions (1) adopt clear policies and procedures for credit card use and payment, (2) maintain detailed documentation to support each credit card charge and credit card payment, and (3) regularly monitor compliance with the established credit card policies and procedures. During the exit interview, I provided you with an OLMS compliance tip regarding union credit card policies. You and other board members agreed to review the provided materials and consider creating a credit card policy for Division 13. Please refer to that publication for additional information.

I want to extend my personal appreciation to Locomotive Engineers, IBT Division 13 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. Eric Kellog, Vice President
Mr. Michael Pauly, Secretary Treasurer