

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
Minneapolis Resident Investigative Office  
900 Second Avenue South, Room 450  
Minneapolis, MN 55402  
(612)370-3111 Fax: (612)370-3107



June 26, 2006

Mr. Earl Davis, President  
Soo Line Locomotive and Car Foreman's Association  
8606 Hilo Trail South  
Cottage Grove, MN 55016-3130

Re: Case Number                     

Dear Mr. Davis:

This office has recently completed an audit of Soo Line Locomotive and Car Foreman's Association (SLLCFA) 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 James Murphy on May 19, 2006, 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 adequate records be maintained for at least 5 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 receipt. If an expense receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

The following recordkeeping deficiencies were revealed during the audit of the SLLCFA's 2004 and 2005 records:

1. Receipts

From July 2005 to the present, SLLCFA failed to record in its receipts journal the date, source, and amount of some of its receipts. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

2. Disbursements

The SLLCFA did not keep vendor receipts for some of its purchases. For example, no vendor receipts were kept for payments totaling \$230.74 made to Champps Americana for food provided at membership meetings or for a file cabinet purchased in December 2005. The date, amount, and business purpose of every expense must be recorded in at least one union record. The names of individuals present for meal expenses paid for by the union and names of restaurants where meal expenses were incurred must be recorded.

Provided that SLLCFA properly records its receipts and disbursements in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP disclosed violations of LMRDA section 201(b), because the Labor Organization Annual Reports (Forms LM-3) filed by SLLCFA for the fiscal years ending December 31, 2004 and December 31, 2005, were deficient in the following areas:

1. Item 24 (all officers and disbursements to officers) and Item 45 (disbursements to officers (from Item 24)) of both reports are deficient because the figures reported on line 10 (Less Deductions) are greater than the amounts actually withheld from the disbursements to officers. Union payroll records show that for each paycheck issued to [REDACTED] and [REDACTED] the SLLCFA withheld \$70 for various taxes, and the deduction amounts in those records were used in calculating the amounts remitted to the taxing authorities. However, the gross amount of each check was \$300, and the net amount was \$240, reflecting that only \$60 was actually withheld.

2. Item 25 (A) (cash at start of reporting period) on the 2005 LM-3 should be the same as Item 25 (B) (cash at end of reporting period) of the 2004 LM report, or you must provide an explanation in Item 56 (additional information) to explain the difference.
3. Items 35(A) and (B) (other liabilities at start and end of year) of the 2004 report incorrectly reports that the union had liabilities of \$649 at the beginning of the year and \$656 at the end of the year. However, the audit revealed no evidence of any liabilities. If the SLLCFA had liabilities at the beginning and end of the year, please provide that information to me as soon as possible.
4. Item 37 (C) (net assets at start of reporting period) on the 2005 LM-3 should be the same as Item 37 (D) (net assets at end of reporting period) on the 2004 LM report, or you must provide a sufficient explanation in Item 56 (additional information) to explain the difference.
5. Item 44 (total receipts) of the 2004 report is deficient because the figure reported in this item does not equal the total of the amounts reported in items 38 to 43. It appears that the amount reported in Item 41 (interest and dividends) is not included in the total receipts figure reported.

I am not requiring that SLLCFA file amended LM-3 reports for the 2004 or 2005 fiscal years to correct the deficient items, but as agreed, the SLLCFA will properly report the deficient items on all future reports filed with this agency.

#### Other Issues

A review of payroll records revealed that the SLLCFA remitted more money to taxing authorities for payroll withholding taxes than was actually withheld from officers' paychecks. For example, only \$60 was withheld from each three officer's monthly paychecks. However, a total of \$70 per paycheck was remitted to the IRS and the Minnesota Department of Revenue on behalf of each officer. Therefore, during 2004 and 2005 \_\_\_\_\_, \_\_\_\_\_ and current Treasurer James Murphy had \$120 in additional taxes paid on their behalf by the SLLCFA than were deducted from the paychecks issued to them. Treasurer Murphy advised that this occurred as a result of a bookkeeping error. If you believe that the amounts were paid in error, I strongly suggest that these three officers reimburse the SLLCFA for those funds. The SLLCFA should take steps to ensure that

Mr. Earl Davis  
June 26, 2006  
Page 4 of 4

the proper amount of withholding taxes are deducted and remitted to the IRS in the future.

I want to extend my personal appreciation to the SLLCFA 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 are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Treasurer James Murphy  
LM #540-122