

**U.S. Department of Labor**

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February 21, 2008

Ms. Andrea Brown, Secretary-Treasurer  
Locomotive Engineers, IBT  
Division 131  
3905 Tower Drive, Apt. A608  
Richton Park, IL 60471

LM File Number: 542-683  
Case Number: [REDACTED]

Dear Ms. Brown:

This office has recently completed an audit of the Brotherhood of Locomotive Engineers, IBT, Division 131 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 on December 20, 2007, 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

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 131's 2006 records revealed the following recordkeeping violation:

#### Failure to Record Receipts

Division 131 did not maintain a receipts journal or similar document during the audit period. For example, the Division failed to record the source of at least \$953.19 received during the audit period. Union receipts must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

Based on your assurance that Division 131 will retain adequate documentation in the future, OLMS will take no further 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 LM-3 filed by Division 131 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Item 17 - Disbursements to Employee(s) Totaling More than \$10,000

Item 17 (During the reporting period did the labor organization pay any employee salary, allowances, and other expenses, which, together with any payments from affiliates, totaled more than \$10,000?) was incorrectly answered, "Yes." Division 131 did not pay an employee salary, allowances, and other expenses that totaled more than \$10,000.

2. Item 24 - Disbursements to Officers

Division 131 did not include some reimbursements to officers totaling at least \$324 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the Division erroneously reported these payments in Item 54 - Other Disbursements.

The union must report most direct disbursements to Division 131 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).

3. Item 25 - Cash Assets at the Start of the Reporting Period

It appears that the cash figure reported in Item 25(A) is not the cash figure according to the union's books after reconciliation with the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on the bank statements. As such, the Division should have reported \$18,452 as cash assets in Item 25 (A) with an explanation included in Item 56 - Additional Information to explain the change from the amount reported in Item 25 (B) on the LM-3 report from the previous fiscal year.

4. Item 38 - Dues

It appears that the total amount of receipts reported as dues in Item 38 is not the correct amount according to the union records. The instructions for Item 38 state: "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 special assessments...However, if the intermediate body or parent body disbursed part of your organization's dues checkoff on your organization's behalf, this amount should be include in Item 38 and in the appropriate disbursement item on your organization's Form LM-3." As such, the Division underreported its dues receipts in Item 38 by over \$6,000.

5. Item 43 – Other Receipts

It appears that the total amount of receipts attributed to other receipts in Item 43 is not the correct amount according to the union records. It appears that the Division erroneously reported \$426 in dues receipts in other receipts. The instructions for Item 43 state: “Enter all receipts of your organization other than those reported in Item 38 through 42...” As such, the Division should have reported \$1,783 in other receipts in Item 43.

6. Item 47 – Per Capita Tax Disbursements

It appears that the total amount of disbursements reported as per capita tax disbursements is not the correct amount according to the union records. The instructions for Item 47 state: “Enter your organization’s total amount of per capita tax paid as a condition or requirement of affiliation with your parent national or international union...” As the Division’s per capita tax payments are withheld from the Division members’ dues checkoff payments, which are sent directly to an intermediate body, the Division should not have reported the amount withheld by the intermediate body as per capita tax. As such, the Division underreported its per capita tax disbursements in Item 47 by over \$6,000.

7. Item 48 – Office and Administrative Expenses

It appears that the total amount of disbursements attributed to office and administrative expenses is not the correct amount according to the union records. It appears that the Division erroneously reported \$1,706 in office and administrative expenses in other disbursements. The instructions for Item 48 state: “Enter your organization’s total disbursements for its ordinary office and administrative expenses, for example, rent, utilities, office supplies, postage, subscriptions, fidelity bond premiums, etc.” As such, the Division should have reported \$2,024 in office and administrative expenses in Item 48.

8. Item – 51 – Contributions, Gifts & Grants

It appears that the total amount of disbursements attributed to contributions, gifts, and grants is not the correct amount according to the union records. It appears that the Division erroneously reported \$119 in disbursements to officers in disbursements for contributions, gifts, and grants. The Division should have reported \$100 in disbursement for contributions, gifts, and grants in Item 51. Division 131 must file an amended Form LM-3 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than March 7, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

#### Other Issue

During the audit, Secretary-Treasurer Andrea Brown informed me that only she signed all checks. Your union's bylaws require that two signatures be present on all checks. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a complete document already signed. However, requiring only one signature does not attest to the authenticity of a complete check, and negates the purpose of the two signature requirement. OLMS recommends that Division 131 review these procedures to bring its disbursement approval practice into conformity with its policy.

I want to extend my personal appreciation to the Brotherhood of Locomotive Engineers, IBT, Division 131 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: Robert McQuire, President