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June 11, 2020

Mr. Daniel Wells, Secretary-Treasurer
Brotherhood of Locomotive Engineers and Trainmen, IBT
GCA – Indiana Harbor Belt
308 Olmstead Rd.
Riverside, IL 60546

Case Number: 310-6017866 [REDACTED]
LM Number: 544486

Dear Mr. Wells:

This office has recently completed an audit of Brotherhood of Locomotive Engineers and Trainmen, General Committee of Adjustment – Indiana Harbor Belt (GCA - IHB) 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 June 1, 2020, 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 GCA – IHB’s 2019 records revealed the following recordkeeping violations:

1. Meal Expenses

GCA - IHB failed to maintain receipts for two meal reimbursements to a union officer totaling at least \$125.38. Also, supporting documentation for meal reimbursements to a

union officer totaling at least \$538.65 could not be identified because the GCA – IHB records were commingled with BLET Division 682's disbursement records, the total amount of supporting documentation maintained exceeded the reimbursement amount, and the records did not indicate which receipts belonged to the GCA and Division, respectively. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

2. Lack of Salary Authorization

GCA – IHB did not maintain records to verify that the salaries reported in Item 24 (All Officers 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 GCA – IHB 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 GCA – IHB for the fiscal year ended December 31, 2019, was deficient in the following areas:

1. Disbursements to Officers

GCA - IHB did not include some reimbursements to officers totaling at least \$8,282.90 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears these amounts were erroneously reported elsewhere in Statement B since all disbursements during the audit year (with the exception of one outstanding check as of 12/31/19) were reported in Item 55 (Total Disbursements).

In addition, GCA - IHB did not report the names of three trustees in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to GCA – IHB 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. Statement B (Receipts and Disbursements)

GCA – IHB failed to correctly report dues receipts and disbursements on Statement B (Receipts and Disbursements). The audit revealed that GCA - IHB received approximately \$186,482 from two employers, which is comprised of dues collected on behalf of Division 682 and per capita tax retained by GCA - IHB. GCA – IHB must report its per capita tax portion of dues received through a checkoff arrangement whereby local dues are remitted directly to an intermediate body by employers in Item 39 (Per Capita Tax). Dues collected on behalf of a subordinate organization for transmittal to them and other affiliated organizations must be reported in Item 43 (Other Receipts). It appears GCA-IHB erroneously reported these receipts in Item 38 (Dues).

In addition, the audit revealed GCA - IHB disbursed at least \$65,384 in per capita to the BLET National Division on behalf of Division 682, \$55,741 to Division 682 for its share of dues, and at least \$19,714 in assessments to the BLET Indiana State Legislative Board on behalf of Division 682. The transmittal of dues payments collected on behalf of a subordinate organization must be reported in Item 54 (Other Disbursements). It appears GCA - IHB erroneously reported these disbursements in Item 47 (Per Capita Tax). Only your union's total amount (if any) of per capita tax paid to your parent body, state and local central bodies, a conference, etc. should be reported in Item 47.

3. Underreported Total Disbursements

GCA - IHB underreported total disbursements by approximately \$1,500 when it failed to report a check disbursement to the BLET Indiana State Legislative Board that was outstanding as of December 31, 2019. As noted in item 2 immediately above, this disbursement should have been reported in Item 54 (Other Disbursements). The LM-3 Instructions require disbursements to be reported on the LM-3 when money is actually paid out by the labor organization.

4. Incorrect Signature on LM-3 Report

BLET Division 682 President Lawrence Rogers mistakenly electronically signed the GCA - IHB LM-3 Report for fiscal year ended December 31, 2019, even though he is not a GCA officer. The LM-3 Instructions require the report to be signed by the president and treasurer, or corresponding principal officers, of the labor organization. If the GCA does not have a president, the principal executive other than the president may sign the report as long as an explanation is provided in Item 56 (Additional Information).

GCA – IHB must file an amended Form LM-3 for the fiscal year ended December 31, 2019, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-3 must be filed no later than June 30, 2020. Before filing, review the report thoroughly to be sure it is complete and accurate.

I want to extend my personal appreciation to Brotherhood of Locomotive Engineers and Trainmen GCA - IHB 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Mr. Frank Burns, General Chairman