



May 5, 2005

Paul Morris, Secretary Treasurer
Brotherhood Locomotive Engineers Division 97
3110 Kings Ct
Ellicott City, MD 20722

Dear Mr. Morris:

This office has recently completed an audit of the Brotherhood of Locomotive Engineers (BLE) Division 97 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 Division 97 President Brian Firlie, Local Chairman John Shifflett, and you on March 30, 2005, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problems areas since the audit conducted was limited in scope.

Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, 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 recipients of the goods or services.

The following record keeping deficiencies were revealed during the audit of Division 97's 2004 records:

1. Officer Expenses

Union officers failed to retain adequate documentation for reimbursed expenses from union funds. Receipts are required to be kept for all reimbursed expenses. The date, amount, and business purpose of every

expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded.

With respect to documentation retained in support of specific disbursements, the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods and services received, and all the recipients of the good or services. In most instances, the documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information.

2. Adequate Documentation

Adequate documentation was not maintained for some union expenses, including the union cell phone used by some officers. The entire cell phone bill must be kept. This bill should include the total amount charged for the month as well as an itemization of each call.

The audit revealed that some of the officers wrote their expenses on a sheet of paper that was then read to the membership. Although the union is not required to create this document, once the document is created it is a union record and therefore must be maintained.

As agreed, provided that Divison 97 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding these violations.

Other Issues

1. Meeting Minutes

Minutes should be kept for all Executive Board and membership meetings. In the event that specific expenses are approved at a meeting, each expense should either be listed in those minutes or attached to them.

2. Two signatures and the use of a signature stamp

During the audit, you advised that it is Divison 97's practice for you to sign all union checks and to stamp the signature of President Firlie on union checks. You indicated that no one but you reviews the checks before they are issued. Your union's bylaws state that checks are to be signed by the President, Vice President or Secretary- Treasurer. The second signature requirement is an effective internal

control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use by the primary signer of a signature stamp for the second signature does not attest to the authenticity of the completed check, and completely circumvents and undermines the purpose of the counter signature requirement. It is strongly recommended that you revise this aspect of your check disbursement procedure.

I strongly recommend that this letter and the compliance assistance material that were provided to you are passed on to your successors at whatever time you may leave office.

I want to thank you, Mr. Firlie and Mr. Shifflett for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to contact me or another representative of our office.

Sincerely,

FCC

cc: Brian Firlie, Division 97 President,
John Shifflett, Division 97 Local Chairman