

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Buffalo District Office
130 South Elmwood Street
Room 510
Buffalo, NY 14202-2465
(716)842-2900 Fax: (716)842-2901



May 1, 2007

Mr. James Louis,
Secretary-Treasurer
Locomotive Engineers, IBT
General Committee of Adjustment-Conrail
1807 Elmwood Avenue, Suite 124
Buffalo, NY 14207

Re: Case Number: [REDACTED]

Dear Mr. Louis:

This office has recently completed an audit of under the Compliance Audit Program 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 and Thomas Roberts on May 1, 2007, the following problems were disclosed during the compliance audit. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

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 expense receipt or invoice. 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 audit of the General Committee of Adjustment-Conrail (GCA)'s 2006 records revealed the following recordkeeping violations:

- The top officers of the GCA failed to maintain adequate documentation for reimbursed expenses and for expenses charged to union credit cards. 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 and the locations (names of restaurants) where meal expenses were incurred must be recorded. Also, a credit slip is not sufficient documentation. The detailed receipt is needed to document the purpose of the purchase. This applies not only to meal receipts but includes all purchases made with the organization's funds.
- Adequate documentation was not retained for some purchases charged to the union credit card. All charges made to the GCA credit card should be accompanied with a receipt or other sufficient supporting documentation. There were several charges for airfare and hotel which were not accompanied with a receipt. In addition, a few charges made to stores including Best Buy, BJ's Wholesale, and OfficeMax were not supported with a receipt.
- Adequate documentation was not retained on occasion for some disbursements by check from the GCA's general fund checking account. A bill was not retained for Verizon and Verizon Wireless to support the following checks: [REDACTED]

As agreed, provided that the GCA maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

The CAP 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-2) filed by the BLET GCA for fiscal year ending December 31, 2006, was deficient in the following areas:

The GCA failed to include some reimbursements to officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees).

Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 11 and 12 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 11 and 12. However, indirect disbursements for business expenses incurred for transportation by public carrier (such as an airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11 and 12.

The GCA's receipts were properly reported on Statement B of the LM-2 according to the guidance received through your International Union however, the GCA improperly itemized receipts in Schedule 14 (Other Receipts) and disbursements in Schedule 18 (General Overhead). The LM-2 instructions for Schedule 14 state that receipts reported in Schedule 14 "must be described in Column A and may be classified by general groupings or bookkeeping categories if the descriptions are sufficient to identify their source." The instructions for Schedule 18 state that an initial itemization page must be completed for all major disbursements and in Column A, the full name and business address of the entity or individual to which the disbursement was made must be reported, followed by, in Column C, the purpose of the disbursement of \$5,000 or more in sufficient detail.

The GCA failed to properly report the "major" transaction(s) in Schedules 14 and 18. A "major" transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which cannot properly be reported elsewhere in Statement B. On Schedule 14, the GCA itemized other receipts received from several divisions, when in fact the original source of those receipts was the employer. The name of the original source of the receipt should be reported, not the name of the entity or organization the receipt represents. The same rule applies to Schedule 18 in which the GCA should itemize the individual or entity that actually received the funds, not the division where those funds are applied.

I am not requiring that the GCA file an amended LM-2 report for 2006 to correct the deficient items, but as agreed, you will properly report the deficient items on all future reports filed with this agency.

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds handled by those individuals or their predecessors during the preceding fiscal year. You and Thomas Roberts are currently bonded for \$90,000; however you both must be bonded for at least \$105,385. The GCA should obtain adequate bonding coverage for the noted officers immediately. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained, but not later than June 1, 2007.

I strongly urge that all records be maintained in as much detail as possible. Robert's expense reports are maintained very well, however I suggest that all charges made with the organization's credit card be centralized and attached to the credit card statement. Copies of receipts and additional detail regarding credit card charges can easily be continued in as much detail as desired on Robert's expense reports.

In addition, I suggest that full amounts of a deposit or disbursement be entered in the QuickBooks software rather than conducting a fund transfer of a portion of the amount and only recording the difference. We recommend that the full amount of any deposit or disbursement, as that will be added or subtracted from the bank, be recorded in the appropriate organizations'

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records also in their entirety. If a transfer is necessary following this entry into QuickBooks, then this fund transfer must also be recorded in QuickBooks.

I want to extend my personal appreciation to you and [REDACTED] 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,

[REDACTED]
Investigator