



May 13, 2013

Mr. Thomas Zavadsky
Secretary-Treasurer
BLET Local Division 404
968 Milford St.
Cary, IL 60013

Case Number: 310-23552-
LM Number: 024-733

Dear Mr. Zavadsky:

This office has recently completed an audit of Locomotive Engineers, IBT 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 May 6, 2013, the following problems were disclosed during the audit. 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 Local Division 404's 2012 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local Division 404 did not retain adequate documentation for reimbursed expenses incurred by former Local Chairman [REDACTED] and current Local Chairman Gregg Vogel totaling at least \$1,657.67. For example, sufficient documentation was not maintained for \$450.50 in mileage and toll reimbursement payment made to [REDACTED]

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and secretary-treasurer of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

Local Division 404 did not require its officers to submit itemized receipts for meal expenses. The union must maintain itemized receipts provided by restaurants to officers. The itemized receipts are necessary to determine if such disbursements are for union business and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. Union records of meal expenses must also include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers incurred meal expenses.

3. Committee Days

The audit revealed that during fiscal year 2012, the local division paid former Local Chairman [REDACTED] and current Local Chairman Gregg Vogel \$300 per day for working on union business on their personal time in addition to the \$600 monthly salary they received while serving as the local chairman. These payments were recorded as committee day payments. During the exit interview, you informed me that Local Division 404 does not have a written policy regarding committee day payments in either its Bylaws or Standing Rules. The local lodge must adopt a written policy regarding the payment of committee days as soon as possible. Please forward a copy of the policy to this office as soon as it has been approved by the membership in accordance with the local division's bylaws.

In addition, the union must maintain records in support of committee day payments that identify each date union business was conducted, the number of hours worked on each date, and a description of the union business conducted. During the audit year, [REDACTED] and Vogel received a total of approximately \$9,000 in committee day payments, but were only required to submit an email or letter on which [REDACTED] or Vogel requested to be paid for a certain number of committee days.

During the exit interview, I provided several OLMS compliance tip sheets that contain samples of expense vouchers that Local Division 404 may use to satisfy the recordkeeping requirements for this type of disbursement. The samples identify the type of information and documentation that the local must maintain for committee days and other officer expenses.

Based on your assurance that Local Division 404 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above allegations.

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 Local Division 404 for fiscal year ending December 31, 2012, was deficient in the following areas:

1. Item 25(b) - End Cash

It appears that the end cash amount reported in Item 25(b) is not the amount reflected in Local Division 404's books after reconciliation to 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 bank statements.

Local Division 404 under-reported its end cash balance in Item 25(B) by \$4,603. Per the 2012 LM-3 Report, the union had an end cash balance of \$14,359; however, the union's book records reflect an end cash balance of \$18,962.

2. Item 24 - Disbursements to Officers

Local Division 404 did not include some reimbursements to officers totaling at least \$2,357 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears that the union erroneously reported these payments in Item 48 (Office and Administrative Expenses).

The union must report most direct disbursements to Local Division 404 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 29 – Fixed Assets

Local Division 404 failed to report the value of its two computers in Item 29(a) & (b) (Fixed Assets).

4. Item 43 – Other Receipts

Local Division 404 failed to report approximately \$21,495 in member insurance deductions in Item 43 (Other Receipts).

5. Item 50 – Benefits Disbursements

Local Division 404 failed to report approximately \$16,638 in benefit payments made to The Hartford during the audit period in Item 50 (Benefits Disbursements).

6. Item 54 – Other Disbursements

Local Division 404 failed to report approximately \$4,631 in employer payroll taxes in Item 54 (Other Disbursements). It appears these disbursements were erroneously reported in Item 48 (Office and Administrative Expenses).

Local Division 404 must file an amended Form LM-3 for the fiscal year ended December 31, 2012, to correct the deficient items discussed above. I encourage Local Division 404 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than Friday, May 31, 2013 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

I want to extend my personal appreciation to BLET Local Division 404 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,


Senior Investigator

cc: Mr. Richard W. Johnson, President