

**U.S. Department of
Labor**

**Office of Labor -
Management Standards**

New York District Office
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September 17, 2002

Mr. Brian P. Gallagher, BLE State Secretary
Brotherhood of Locomotive Engineers
P.O. Box 829
Highland, NY 12528

Dear Mr. Gallagher:

This Office has recently completed an audit of the Brotherhood of Locomotive Engineers, Division 127, under the Compliance Audit Program (CAP) to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA). As discussed with you during the exit interview on September 10, 2002, the following problems were discovered 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.

The CAP disclosed the following violations:

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.

1. **Officer Expenses (Allowances and Other Expenses)**

The union failed to retain adequate documentation for allowances and reimbursed expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record. The union failed to provide supporting documentation for seven expenditures by Richard Gunderman, totaling \$2,917.33.

2. Computers

The union failed to provide the purchase invoice for two computers (Gateway computer and EZ Micro computer). Additionally, the union failed to provide the cancelled payment check for one computer (EZ Micro computer).

Deficient Reporting Issues

1. The LM report for the audit period notes bond coverage in the amount of \$10,000.00. Inspection of the bond shows coverage in the amount of \$45,000.00.
2. The LM report for the audit period shows ordinary expenditures incurred by Gunderman, in the amount of \$5,377.76, as reported on Schedule 9, Box (E): Allowances. These expenditures should have been reported on Schedule 9, Box (F): Disbursements for Official Business.

LM Filing Requirements

1. The union failed to timely file their LM report for the year-ended December 31, 2001, pursuant to Section 201, of the LMRDA.

Other

1. Division 127, failed to maintain an inventory schedule of computers, computer peripherals, and other office equipment which was purchased. Records should be maintained which account for all union property.
2. The minutes of the General Membership meetings should be detailed. Inspection of the minutes shows no detail regarding officers salaries and allowances.

Recommendations to union re: internal controls, etc.

I strongly urge Division 127, to adopt clear guidelines regarding what types of expenses personnel may incur, what kinds of out-of-pocket expenses personnel may be reimbursed for, and adequate record keeping. Our office is certainly available to provide guidance to you regarding the requirements of the law as they would pertain to any policies your union might adopt. If written guidelines are adopted in the near future, I would appreciate it if you would provide a copy to this office.

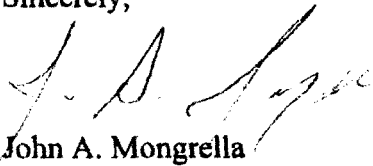
Conclusion/resolution of reporting problems

I am not requiring that Division 127, file an amended LM-2 report for 1999, to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to the officers of Division 127.

I want to thank you 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 any other representative of our office.

Sincerely,

A handwritten signature in cursive script, appearing to read "John A. Mongrella".

John A. Mongrella
Investigator

cc: Treasurer/President