

**U.S. Department of Labor**

Employment Standards Administration  
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August 16, 2006

Mr. Scott Copeland, Secretary-Treasurer  
Locomotive Engineers, AFL-CIO  
DIV 448  
PO Box 686  
Peterstown, WV 24963

Re: Case Number: ~~XXXXXXXXXXXX~~

Dear Mr. Copeland :

This office has recently completed an audit of 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 August 11, 2006, 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.

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.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of DIV 448's 2005 records revealed the following recordkeeping violations:

Union officers and employees failed to maintain adequate documentation for 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 and the locations (names of restaurants) where meal expenses were incurred must be recorded. You showed that you have maintained such records since May 2006.

Approvals recorded in meeting minutes for lost wages do not identify the union business conducted that required lost wages to be incurred. The lost wage claims must identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted.

DIV 448 failed to record all employer dues check-off checks and checks from the general secretary treasurer. DIV 448 failed to record payments made by the general secretary treasurer to other entities on behalf of DIV 448. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date the money was received, the identity of the source of the money, and the individual amount received from each source.

Adequate documentation was not retained for purchases of office supplies and for computer services provided.

Some checks that were voided and not issued were not retained.

As agreed, provided that DIV 448 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file DIV 448's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can also result in a fine of up to \$100,000 or imprisonment for not

more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person, not just the individuals who are responsible for filing the union's LM report.

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-3) filed by DIV 448 for fiscal year ending December 31, 2005, was deficient in the following areas:

The names of some officers and the total amounts of payments to them or on their behalf were not reported in Item 24 (All Officers and Disbursements to Officers). All persons who held office during the year must be reported in Item 24 regardless of whether or not they received any payments from the union.

DIV 448's receipts and disbursements were underreported on Form LM-3 for FYE 12/31/05. All receipts and disbursements by the GCA on behalf of DIV 448 are considered receipts and disbursements of DIV 448 and must be reported in the same detail as other receipts and disbursements. The portion retained by the GCA for its per capita tax does not have to be reported. However, when the GCA disburses the local's money to others such as the WV State Legislative Board or the International, these receipts and disbursements must be shown on DIV 448's Form LM-3.

I am not requiring that DIV 448 file an amended LM report for 2005 to correct the deficient items, but as agreed, DIV 448 will properly report the deficient items on all future reports filed with this agency.

During the audit, I advised you that authorization for the salary amounts paid to the local chairman in 2005 could not be found in union records. Current salary levels were recorded in the meeting minutes on 06/05/06 and relayed to the membership by a posted letter. I recommend that DIV 448 continue this practice in the future.


During the audit, you advised that it is DIV 448's practice for you to sign all union checks and to stamp the signature of President John George on union checks. You indicated that no one but you reviews the checks before they are issued. Two signatures are required for endorsement with your checking account. 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 countersignature requirement. I recommend that DIV 448 review these procedures to improve internal control of union funds.

During the audit, you advised that President John George signs blank checks in advance. Your union's bylaws require that all checks be signed by the president and treasurer. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. I recommend that DIV 448 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to you 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,

  
Investigator

cc: Jim Bradford, Service Representative