

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Seattle District Office
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April 6, 2005

RE: **2**

Robert Burkhardt
Brotherhood of Locomotive Engineers, AFL-CIO
22322 98th Avenue West
Edmonds, WA 98020

Dear Mr. Burkhardt:

This Office has recently completed an audit of Locomotive Engineers, Local 518 under the Compliance Audit Program (CAP) to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with Secretary Treasurer, Robert Burkhardt, on April 6, 2005, 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 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.

The following record keeping violations were revealed during the audit of Local 518's 2003 records:

Union officers and employees failed to retain adequate documentation for reimbursed expenses. Specifically, there were no receipts to document office supplies purchases by Christopher Malm.

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 or services received, and all the recipients of the goods or services. In most instances, this

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. 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.

- Some checks which were voided and not issued were not retained.
- Meeting minutes were not retained for all months. Specifically, minutes were missing for the months of January, February, March, April, August, October, and December.

As agreed, provided that Local 518 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

In addition, the CAP disclosed that reimbursed expenses were not reported correctly on your LM3 report. Specifically, reimbursed expenses for Gary Larsen for 2003 were \$1716.26 and for Christopher Malm they were \$1839.52. In the future, these amounts should be listed in Item 24(E) on the LM report.

All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in item 24. A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment made by your organization to another party (including credit card companies) 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 Expenses).

During the audit, you were advised that authorization of the salary amounts paid to union officers could not be found in union records. I suggest that Local 518 take steps to record the authorized salary amounts by discussing them at a future meeting and recording them in meeting minutes or some other internal document. When the authorized salaries have been recorded in union records, I would appreciate it if you would forward a copy of the record documenting the authorization to me at the above address.

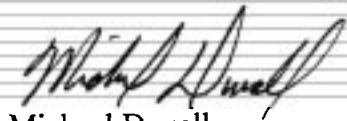
During the opening interview, you advised that President Malm signs blank checks in advance. Your union's bylaws require that all checks be signed by the president and treasurer. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity 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. You may want to revise your check disbursement method.

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

I want to thank you for your cooperation and courtesy during this compliance audit. If I 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 "Michael Duvall", is written over a set of horizontal lines.

Michael Duvall
District Director