

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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June 13, 2008

Mr. Adam Otten, Secretary-Treasurer
Locomotive Engineers, IBT
Division 46
180 Benjamin Street
Schenectady, New York 12303

LM File Number 013-248
Case Number: [REDACTED]

Dear Mr. Otten:

This office has recently completed an audit of Locomotive Engineers Division 46 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 and Local Chairman Mark Krajewski on June 10, 2008, 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.

The CAP disclosed the following:

Reporting Violation

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 LM-3 filed by Local 46 for fiscal year ending December 31, 2007, was deficient in that:

Receipts and Disbursements Reporting:

The annual LM-3 report requires that a cash method of accounting be used. Under the cash method of accounting, receipts are recorded when money is actually received by your organization and disbursements are recorded when money is actually paid out by your organization.

Division 46 inaccurately reported money that was disbursed in the 2007 fiscal year as a disbursement for the prior fiscal year. Regardless of which year the bill was incurred, if it was disbursed during the 2007 fiscal year the disbursement needs to be reflected in that year's LM-3 report.

I am not requiring that Division 46 file an amended LM report for 2007 to correct the deficient items, but Division 46 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Signing Blank Checks

During the audit, you advised that President Paul Miles signs blank checks. Your union's bylaws require that all checks be signed by the president and treasurer. The two 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Division 46 review these procedures to improve internal control of union funds.

2. Retaining Voided Checks

Division 46 failed to retain voided checks [REDACTED] through [REDACTED]. You advised OLMS that the checks were voided due to the election of new officers. OLMS recommends that unions retain any voided checks as an effective internal control in order to verify that these checks were not negotiated.

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I want to extend my personal appreciation to Locomotive Engineers Division 46 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: President Paul Miles