

**U.S. Department of Labor**

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March 19, 2008

Mr. Michael Efaw, Financial Secretary  
Railroad Signalmen AFL-CIO  
Local Lodge 31  
702 Ridgely Avenue  
Fairmont, West Virginia 26554-2658

LM File Number 002-349

Case Number: [REDACTED]

Dear Mr. Efaw:

This office has recently completed an audit of Local Lodge 31 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 March 14, 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.

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 Lodge 31's 2006 records revealed the following recordkeeping violations:

1. Failure to Maintain Receipts Records

Local Lodge 31 did not retain adequate documentation to support dues payments received from employer dues checkoff payments or those payments received directly from lodge members. For example, although the lodge recorded dues payments in a receipt book and in a bank book, deposit slips were not maintained. In addition, the employer dues checkoff lists were missing from the lodge's records. Lodge receipt records must include an adequate identification of all money the lodge receives. The records must show the date and amount received, and the source of the money. All records received to support these receipts must be maintained. Finally, the lodge must retain bank records for all accounts, including deposit slips.

2. Lack of Salary Authorization

Local Lodge 31 did not maintain records to verify that the salary paid to the financial secretary was the authorized amount. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the lodge with the authority to establish salaries.

Based on your assurance that Local Lodge 31 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

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 Lodge 31 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Disbursements to Officers

Local Lodge 31 did not include some reimbursements to officers totaling at least \$3,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local Lodge 31 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).

2. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union'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.

3. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. During the opening interview it was reported that Local Lodge 31 amended its constitution and bylaws approximately ten years ago. A copy of the constitution and bylaws was not filed with the lodge's LM report for that year.

Local Lodge 31 has agreed to file a copy of its current constitution and bylaws with OLMS by April 18, 2008.

I am not requiring that Local Lodge 31 file an amended LM report for 2006 to correct the deficient items, but Local Lodge 31 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Local Lodge 31 officers and employees are currently bonded for \$5,000, but they must be bonded for at least \$11,000. Local Lodge 31 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but no later than April 18, 2008.

I want to extend my personal appreciation to Local Lodge 31 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: Joseph Reneman, Recording Secretary