

U.S. Department of Labor
Cleveland District Office

Employment Standards Administration
Office of Labor-Management Standards
Cleveland District Office
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March 9, 2005

Walt Barrows, International Secretary-Treasurer
Brotherhood of Railroad Signalmen AFL-CIO

Re: 6
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Dear Mr. Barrows:

This office has recently completed an audit of the Brotherhood of Railroad Signalmen Local 231 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor Management Reporting Disclosure Act of 1959, as amended (LMRDA). As discussed during the exit interview with you, General Chairman Scott Clark, and Kirk Gerber, former Recording-Financial Secretary on January 24, 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. 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.

The following record keeping deficiencies were revealed during the audit of Local 231's 2003 records:

Union officers and employees failed to retain adequate documentation for reimbursed expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record.

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.

Adequate documentation was not retained for some purchases of office supplies, phone, and internet expenses. During the exit interview, I identified several checks made payable to the Local Treasurer for office supplies that failed to include any type of supportive documentation.

Some vouchers submitted by union personnel for lost wages do not identify the union business conducted that required lost wages 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. The vouchers reviewed for lost time only indicated the hours worked on books and taxes and the hourly rate, yet the union was unable to produce any union books for the audit period.

As agreed, provided that Local 231 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) was not filed by Local 231 for fiscal year ending December 31, 2001, 2002, and 2003. As of March 9, 2005, our office has received the LM-3 reports for these three years, therefore, no further action is being considered regarding this matter at the present time.

The following are other deficiencies which were revealed during the audit of Local 231 records covering January 1, 2003 through December 31, 2003:

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 231's officers and employees were bonded for \$2,500, when in fact they should have been bonded for at least \$7,500. However, as a result of this compliance audit, this has been sufficiently increased to \$10,000. Because proof of this bonding coverage was reviewed by this office on January 27, 2005, the matter is now considered closed.

The LMRDA, Section 401(b), requires that Local Labor Organizations shall elect by secret ballot its officers not less than once every 3 years. Per the latest LM-3 report filed with our office for Fiscal Year Ending December 31, 2000, the date of the next regularly scheduled election was to have taken place in June 2003. However, the investigation revealed that this election did not take place as scheduled and no election has been held to date. In light of the trusteeship that has been placed on the Local 231 by the International Brotherhood of Railroad Signalmen, an election will need to be run prior to the Local coming out the trusteeship

I strongly urge both the International Brotherhood of Railroad Signalmen and the Local 231 to adopt clear guidelines regarding what types of expenses personnel may incur. Our office is certainly available to provide guidance to you regarding the requirements of the law as they would

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.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 231's LM-3 report. You should be aware that Section 206 of the LMRDA provides for a fine of not more than \$10,000 or imprisonment for not more than one year, or both, for willful failure to maintain records. Section 209(c) of the LMRDA provides for a fine of not more than \$10,000 or imprisonment for not more than one year, or both, for willful destruction or falsification of records, and applies to any person (not just the individuals who are responsible for filing the union's LM report).

During the audit, the former financial secretary advised that it was the Local 231's practice to sign all union checks and to stamp the signature of the Trustee on union checks. It was indicated that no one but the financial secretary reviews the checks before they are issued and that a second signature is required. 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. You may want to revise this aspect of the check disbursement procedures.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you at the exit interview are passed on to your successors at whatever time you terminate the trusteeship.

I want to thank you, Mr. Scott Clark, and Mr. Kirk Gerber 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 blue ink, consisting of the letters 'F' and '(G)' in a cursive style, positioned above a horizontal line.

Investigator

cc: Scott Clark, General Chairman