

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
New York District Office
201 Varick Street
Room 878
New York, NY 10014
(646)264-3190 Fax: (646)264-3191



September 30, 2008

Mr. Donald Brookman, Treasurer
Railroad Signalmen, AFL-CIO
Local Lodge 102
P.O. Box 588
Metuchen, NJ 08840

Re: Case Number: [REDACTED]

Dear Mr. Brookman:

This office has recently completed an audit of Railroad Signalmen LLG 102 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 September 18, 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 102's 2007 records revealed the following recordkeeping violations:

1. Failure to maintain meeting minutes

Local Lodge 102 did not maintain executive board meeting minutes during the audit period. In addition, your union failed to maintain membership meeting minutes for January and April 2007. Minutes of all membership and executive board meetings must be maintained to verify disbursement authorizations discussed in membership and executive board meetings.

2. Failure to record receipts

Local Lodge 102 did not enter in its check stubs, dues receipts deposited in December 2007. Your union recorded December 2007's dues receipts in February 2008 instead. Entries in union records should be made in a timely manner. In addition, union records must show the date of dues receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Local Lodge 102 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 102 for fiscal year ending December 31, 2007 was deficient in the following areas:

1. 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. The audit disclosed that the union's cash amount in 25B the end of report of period was at least \$25,830. This change must be made in item 25 B to reflect the correct amount on an amended Form LM-3 for fiscal year ending December 31, 2007.

2. Dues Rates and Fees

Local lodge 102 failed to include the total minimum and maximum amount of initiation fees collected from members who joined the union and non-members who were hired by employer but chose not to join the union as required by Title II of the LMRDA. This change must be reported in Item 23 b initiation fees on an amended Form LM-3 for fiscal year ending December 31, 2007.

3. Cash Receipts

Local lodge 102 improperly entered dues receipts in item 39 Per Capita tax instead of Item 38 Dues. For LM reporting purposes, all dues payments received via employer checkoff or direct payments from members must be reported in Item 38 Dues.

4. Disbursements to Officers

Local Lodge 102 did not include some reimbursements to officers totaling at least \$2,175.68 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54.

The union must report most direct disbursements to Local Lodge 102 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).

5. Total Disbursements

Local lodge 102 inaccurately reported the total amounts of disbursements in Form LM-3 for fiscal year ending December 31, 2007. The organization's Form LM-3, Item 55 Total Disbursements reflected \$157,092. However, the audit disclosed that the organization's total disbursements were approximately \$156,557. Therefore, the union must amend its LM-3 report to accurately reflect total disbursements in fiscal year ending 12/31/07.

The audit revealed that Local lodge 102 must file an amended Form LM-3 for fiscal year ending December 31, 2007 to correct the deficient items discussed above. However, the union submitted the amended LM-3 form including accurate information received by our office on September 29, 2008.

Other Violations

The audit disclosed the following other violation(s):

1. 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 102 officers are currently bonded for \$15,000, but they must obtain bonding coverage of at least \$18,238. Local lodge 102 should obtain adequate bonding coverage for its officers immediately. During our exit interview, you committed to submit proof of bonding coverage with the required amount to the above address by September 26, 2008. As of that date, the updated bond has not been received by OLMS-NYDO.

Mr. Donald Brookman
September 30, 2008
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I want to extend my personal appreciation to Railroad Signalmen LLG 102 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: Harold Tesno, President