U.S. Department of Labor

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July 12, 2007

Mr. Edmund Y. Chiu, Financial-Recording Secretary
Railroad Signalmen Lodge 153
542 24th Avenue
San Francisco, CA 94121

LM File Number: 003-796
Case Number: [redacted]

Dear Mr. Chiu:

This office has recently completed an audit of Railroad Signalmen Lodge 153 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 June 28, 2007, 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:

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 Lodge 153's 2006 records revealed the following recordkeeping violations:

1. Documentation not maintained for receipts

   The audit revealed adequate documentation was not retained for receipts for members' dues deposits.

2. Documentation not maintained for disbursements

   The audit revealed adequate documentation was not retained for disbursements for the purchases of postage stamps, a dues deposit refund, and quarterly per capita tax reports.

3. Documentation not maintained for authorization of officers' expenses

   The audit revealed that the meeting meetings authorizing the current level of officers' expenses were not retained to verify this expenses. Article II, Section 26 of the Constitution of the Brotherhood of Railroad Signalmen requires, "the Local Recording Secretary to keep a true and accurate record of all proceedings of his Local Lodge."

Based on your assurance that Lodge 153 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Violation

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. The audit revealed that Local 153's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issue

During the audit, you advised that Trustee Victor Arrango signs blank checks. Your union requires that all checks be signed by the financial-recording secretary and a trustee. 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 Lodge 153 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Railroad Signalmen Lodge 153 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,

[redacted]
Investigator

cc: Mr. Patrick J. Murphy, Local Chairman
Mr. Victor Arrango, Trustee