



April 12, 2018

Mr. Neil Craig, Recording-Financial Secretary
Railroad Signalmen AFL-CIO, Local Lodge 174
26814 S Kimberly Ln
Channahon, IL 60410

Case Number: 310-6012214-
LM Number: 004796

Dear Mr. Craig:

This office has recently completed an audit of Railroad Signalmen AFL-CIO, Local Lodge 174 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 30, 2018, 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 174's 2016 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local Lodge 174 did not retain adequate documentation for reimbursed expenses incurred by union officers and employees totaling at least \$841.57. For example, no transaction receipts and/or vendor invoices were maintained for reimbursed expenses to then-President Brian Pelehowski in the amount of \$155.00 and to then-Recording Financial-Secretary Michael Thomas in the amount of \$28.20. And, only photocopied, rather than original, transaction receipts and/or vendor invoices were retained for reimbursed expenses to Local Chairman Joe

██████████ in the amount of \$658.37.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

Local Lodge 174 did not require an employee to submit itemized receipts for meal expenses totaling at least \$140.36. The union must maintain itemized receipts provided by restaurants to employees and officers. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

3. Reimbursed Auto Expenses and Lost Wages

Local Lodge 174 did not retain adequate documentation for a payment of \$218.48 to then-President Brian Pelehowski. The OLMS audit found that the only record maintained regarding the payment was a check carbon that indicated it was for mileage reimbursement for the use of a personal automobile and lost wages, and as a result, the amount of each type of reimbursement was indeterminate. For reimbursed auto expenses, the union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses. For lost wages, the union must maintain records that 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.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local Lodge 174 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

4. General Expenses

Local Lodge 174 did not retain adequate documentation for expenses incurred by the union totaling at least \$665.51. For example, no transaction receipts and/or vendor invoices were maintained for a disbursement to B & C Company in the amount of \$375.17. A review of meeting minutes indicated the payment was for union hats. As stated in the LM-3 Instructions, the union officers required to file the LM-3 are responsible for maintaining records that will provide in sufficient detail the information and data necessary to verify the accuracy and completeness of the report. Any record necessary to verify, explain, or clarify the report must be retained.

5. Receipts Backup Documentation

Local Lodge 174 did not maintain employer dues checkoff lists for three receipts via direct deposit between January and March 2016, totaling \$7,742.40. As stated in the LM-3 Instructions, union officers required to file the LM-3 are responsible for maintaining records that will provide in sufficient detail the information and data necessary to verify the accuracy and completeness of the report. Any record necessary to verify, explain, or clarify the report must be retained.

6. Failure to Keep Bank Statements

The audit revealed that Local Lodge 174 maintained only a reproduction bank statement, not the original, for January 2016 for its Municipal Bank checking account and failed to maintain any 2016 bank statements for its First Mid-Illinois Bank checking account. As stated in the LM-3 Instructions, bank statements are necessary because checking account balances reported in Statement A (Assets and Liabilities) should be obtained from the labor organization's books as reconciled with the balances shown on bank statements. The original records that a union receives in the course of business must be retained.

Based on your assurance that Local Lodge 174 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 174 for the fiscal year ended December 31, 2016, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away hats totaling as much as \$375.17 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers

Local Lodge 174 did not report the name of then-Trustee Mike Treccani and the total amount of payments to him or on his behalf in Item 24 (All Officers and Disbursements to Officers).

The union must report in Item 24 all persons who held office during the year regardless of whether they received any payments from the union.

In addition, Local Lodge 174 erroneously reported an approximate \$470.00 reimbursement to you for the purchase of a computer and printer in Item 24, Column E (Allowances and Other Disbursements), rather than Item 52 (Purchase of Investments and Fixed Assets). The LM-3 Instructions for Item 24 require reimbursements to officers for the purchases of fixed assets to be reported in Item 52. Also, as previously noted in this letter, the audit revealed that then-President Brian Pelehowski was reimbursed for lost wages and use of his personal automobile in a single check, totaling \$218.48. The entire amount of this check was reported in Item 24, Column E. However, the LM-3 Instructions require disbursements for lost wages to be reported in Column D (Gross Salary).

The union must report most direct disbursements to Local Lodge 174 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).

3. Cash Assets

Local Lodge 174 failed to include the beginning and ending balances, each approximately \$1,000, in its First Mid-Illinois Bank account, in Item 25 (Cash), Columns A and B, as required by the LM-3 Instructions. The union thereby underreported its cash assets on the LM report for 2016.

4. 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. Local Lodge 174 amended its bylaws in 2014 but did not file a copy with its LM report for that year.

Local Lodge 174 has now filed a copy of its constitution and bylaws.

Local Lodge 174 must file an amended Form LM-3 for the fiscal year ended December 31, 2016, to correct the deficient items discussed above. I encourage Local Lodge 174 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than April 30, 2018 or submitted to this office at the above address by the same date. Before filing,

review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Issues

1. Duplicate Receipts

New members of Local Lodge 174 may pay initiation fees, three-months advanced dues, and, when appropriate, back dues directly to the union, but receipts are not issued to such payers. OLMS recommends that Local Lodge 174 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who made payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

2. Single Signature on Checks

The audit revealed that checks issued in 2016 while Michael Thomas was Recording-Financial Secretary were signed by him only. Upon coming to office in October 2016, you and President Dan Rolih both signed all checks issued by Local Lodge 174. Two signatures on checks is an effective internal control of union funds. Its purpose is to attest to the authenticity of the document. OLMS recommends that Local Lodge 174 continue its two-signature procedures.

I want to extend my personal appreciation to Railroad Signalmen Local Lodge 174 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: Mr. Dan Rolih, President