

**U.S. Department of Labor**

Office of Labor-Management Standards  
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December 17, 2009

Mr. Brent Stonerock, General Chairman  
Railroad Signalmen, AFL-CIO, GC4  
7117 Cozaddale Road  
Goshen, OH 45122-9716

LM File Number: 008-090  
Case Number: [REDACTED]

Dear Mr. Stonerock:

This office has recently completed an audit of Railroad Signalmen GC4 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 December 4, 2009, 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 GC4's 2008 records revealed the following recordkeeping violations:

1. General Disbursements

GC4 failed to maintain supporting documentation for a debit card purchase totaling \$798.74 paid to Best Buy in January 2008. In addition, the union failed to maintain sufficient supporting documentation to verify a debit card purchase totaling \$168.00 paid to Hampton Inn of Athens in November 2008.

As previously 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. Lost Wages and Salary Payments

GC4 did not retain adequate documentation for any lost wage payments to you during the audit year. For lost time payments, the union must maintain records in support of claims that identify each date lost wages were incurred, the number of hours lost or hours claimed on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that GC4 itemized only total hours claimed in a two-week period and the rate of pay.

The audit disclosed that you do not receive a straight salary. Instead you earn an hourly wage when performing work for the union on your own time. Therefore, any hourly payments to you that constitute salary must be supported with a record showing the date you performed work for the union, the number of hours worked, the rate of pay, and a description of the work being performed for the union.

GC4 combined lost time and salary payments to you in one check. The record kept supporting these combined payments must show what portion of the check is for lost time and what portion is for salary, along with the other information described above.

During the exit interview, I provided a sample of an expense voucher GC4 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 payments.

Based on your assurance that GC4 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

### Reporting Violation

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 Form LM-3 Labor Organization Annual Report filed by GC4 for fiscal years ending December 31, 2007, and December 31, 2008, were deficient in the following area:

#### 1. Cash Reconciliation

LM-3 for the fiscal year ending 12/31/2008

According to OLMS' calculation, your union's cash reconciliation is off by \$10,878 on its Form LM-3 for the fiscal year ending December 31, 2008. The cash reconciliation is calculated by adding the amount in Item 44 (Total Receipts) to the amount in column A of Item 25 (Cash), then subtracting Item 55 (Total Disbursements). This should match the amount reported in column B of Item 25 (Cash).

OLMS analysis shows that the \$63,603 reported by the union in Item 55 (Total Disbursements) is incorrect. OLMS calculated the union's total disbursements for 2008 at \$74,622. This amount may have been underreported by the union, in part, because the union does not appear to report in Statement B the payroll withholdings and deductions reported on line 10 of Item 24. Employer portions of the FICA withholdings should be reported in Item 48 (Office and Administrative Expense) and other withholdings and deductions should be reported in Item 54 (Other Disbursements).

LM-3 for the fiscal year ending December 31, 2007

The union's LM-3 report for the fiscal year ending December 31, 2007 is deficient in that the amount reported in column A of Item 25 (Cash at the start of the

Mr. Brent Stonerock  
December 9, 2009  
Page 4 of 4

reporting period) does not match the amount reported in column B of Item 25 (Cash at the end of the reporting period) on the 2006 report. These amounts should match. If they do not match, the union should provide an explanation explaining why the figures are different in Item 56 (Additional Information).

GC4 must file an amended Form LM-3 for the fiscal years ending December 31, 2007, and December 31, 2008, to correct the deficient items discussed above. I provided you with error summaries for both years, blank forms and instructions, and advised you that the reporting forms and instructions are available on the OLMS website ([www.dol.gov/olms](http://www.dol.gov/olms)). The amended reports should be submitted to this office at the above address as soon as possible, but not later than January 31, 2010. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to 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