



May 24, 2019

Ryan Brown, Financial-Secretary
Railroad Signalmen, Local Lodge 5
40 David Lane
Northford, CT 06472

Case Number: 110-6014220 [REDACTED]
LM Number: 043171

Dear Mr. Brown:

This office has recently completed an audit of Railroad Signalmen, Local Lodge 5 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 and President Joseph Chester on August 1, 2019, 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 5's 2017 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local Lodge 5 did not retain adequate documentation for reimbursed expenses incurred by Secretary-Treasurer Ryan Brown totaling at least \$200. For example, on June 29, 2017 and August 29, 2017 Brown received checks for \$100 each for retirement party expenses with no proper back up documentation.

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. Failure to Record Receipts

Local Lodge 5 did not record in its receipt records some funds received directly from members totaling at least \$2,430. For example, on six occasions funds totaling \$2,430 were deposited into the union's bank account with no adequate record of the source, date funds were received or purpose of the funds. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

Based on your assurance that Local Lodge 5 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 Labor Organization Annual Report Form LM-3 filed by Local Lodge 5 for the fiscal year ended December 31, 2017, was deficient in that:

Disbursements to Officers

Local Lodge 5 improperly categorized some payments to Mr. Brown as "allowance" instead of salary in Item 24 (All Officers and Disbursements to Officers). Pay for lost time for the eight hours of work per month should be reported as salary in Item 24(D) and the expenditure allowance of \$25 per month should be reported in Item 24(E).

The union must report most direct disbursements to Local Lodge 5 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).

I am not requiring that Local Lodge 5 file an amended LM report for 2017 to correct the deficient item, but Local Lodge 5 has agreed to properly report the deficient item on all future reports it files with OLMS.

Other Violation

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.

The audit revealed that Local Lodge 5's officers and employees were not bonded for the minimum amount required at the time of the audit. However, Local Lodge 5 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, OLMS learned that Local Lodge 5 is currently operating under bylaws that appear to be dated and it appears the lodge is not adhering to the meeting requirements within those bylaws. OLMS suggests that Local Lodge 5 consider updating its bylaws to be more current and that Local Lodge 5 adheres to any guidelines including meetings and authorizations as set forth in its bylaws. Any bylaw revisions are required to be filed with the Department of Labor together with the lodge's annual LM report.

I want to extend my personal appreciation to Railroad Signalmen, Local Lodge 5 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: Joseph Chester, President