



October 31, 2019

Mr. Ronnie Cauley, Treasurer  
Railroad Signalmen, AFL-CIO  
Local Lodge 206  
4227 Wickstone Lane  
Houston, TX 77014

Case Number: 420-6015381 [REDACTED]  
LM Number: 040407

Dear Mr. Cauley:

This office has recently completed an audit of Railroad Signalmen Local Lodge (LLG) 206 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 October 26, 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 206's 2017 records revealed the following recordkeeping violations:

1. All disbursements did not have supporting documentation to indicate union purpose

LLG 206 did not retain adequate supporting documentation for postage expenses totaling at least \$286, as no receipts or invoices were found. As noted above, labor organizations must retain original itemized 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.

The OLMS Compliance Tip, *Authorization and Documentation of Expenditures*, which I provided during the exit interview, will provide further guidance on this matter.

## 2. Receipt Dates not Recorded

Entries in Local LLG 206's check register reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of 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.

The OLMS Compliance Tip, *Recordkeeping for and Reporting of Receipts*, which I provided during the exit interview, will provide further guidance on this matter.

Based on your assurance that Local Lodge 206 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 LLG 206 for the fiscal year ended December 31, 2017, was deficient in the following area:

### 1. Cash Reconciliation

It appears that the cash figure reported in Item 25A (Cash at the start of the reporting period) is not the figure according to Local LLG 206'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.

I am not requiring that LLG 206 file an amended LM report for 2017 to correct the deficient item, but LLG 206 has agreed to properly report the deficient items on all future reports it files with OLMS.

## Other Violations

### Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that

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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.

LLG 206's officers are currently bonded for \$42,500, but they must be bonded for at least \$43,650.60. LLG 206 should obtain adequate bonding coverage for its officers immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than November 12, 2019.

I want to extend my personal appreciation to Railroad Signalmen LLG 206 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. Korie Kinchen, President