

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Boston District Office
JFK Federal Building, Room E-365
Boston, MA 02203
(617)624-6690 Fax: (617)624-6606



July 30, 2010

Mr. Brian Doherty, Financial-Secretary
Railroad Signalmen AFL-CIO
Local Lodge 120
32 Arlington Street
Woburn, MA 01801

LM File Number 014-995
Case Number: [REDACTED]

Dear Mr. Doherty:

This office has recently completed an audit of Railroad Signalmen Local 120 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 Kevin Sheehan on July 21, 2010, 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 issues:

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 120's 2009 records revealed the following recordkeeping violations:

1. General Expenses

Local 120 did not retain adequate documentation for disbursements totaling at least \$150. For example, the union did not maintain documentation for checks written to the Knights of Columbus or the North Attleborough Animal Shelter.

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. Receipt Dates not Recorded

Entries in Local 120's ledger 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.

3. Lack of Salary Authorization

Local 120 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such

as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

In part due to the lack of salary authorization, LU 120 may have inaccurately paid its officers for stipends and dues reimbursements. For example, it appears that President Sheehan received an extra \$200 for dues reimbursements. The union has agreed to create a clear salary authorization at an upcoming membership meeting and pay its officers in accordance to this policy. LU 120 will forward a copy of the new salary authorizations to the DOL.

Based on your assurance that Local 120 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 120 for fiscal year ending December 31, 2009, was deficient in the following area:

Disbursements to Officers

Local 120 did not include some reimbursements to officers totaling at least \$2,410 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54. Local 120 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24. 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. All officer stipends and dues reimbursements should be reported in Item 24(E) (Officer Allowances and Other Disbursements).

The union must report most direct disbursements to Local 120 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 120 file an amended LM report for 2009 to correct the deficient items, but Local 120 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violations

The audit disclosed the following other violation(s):

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.

Local 120's officers and employees are currently bonded for \$7,500, but they must be bonded for at least \$10,000. Local 120 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than August 13, 2010.

I want to extend my personal appreciation to Railroad Signalmen Local 120 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

Mr. Brian Doherty
July 30, 2010
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cc: Kevin Sheehan, President
Eddie O'Connor, Recording Secretary