

U.S. Department of Labor

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Office of Labor-Management Standards
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July 15, 2008

Mr. James Shay, Secretary-Treasurer
Machinists Local Lodge 681
824 South 2nd Street
Louisville, KY 40203

LM File Number: 035-937
Case Number: [REDACTED]

Dear Mr. Shay:

This office has recently completed an audit of Machinists Local Lodge 681 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 February 29, 2008, 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 Lodge 681's 2007 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Entries in Lodge 681's monthly receipts records did not reflect the date the union collected raffle receipts during monthly membership meetings. All proceeds from these raffles were deposited to the bank in the month of December. 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.

Based on your assurance that Lodge 681 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 Lodge 681 for fiscal year ending December 31,2007, was deficient in the following areas:

1. Investments Reported as Cash

Lodge 681 improperly included the value of two investment funds as cash in banks. For LM reporting purposes, these funds should be reported in Item 28 - Investments.

2. 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

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changes to its constitution or bylaws. Local Lodge 681 amended its bylaws in May 2005 and its constitution in January 2005, but did not file a copy with its LM report for that year. The last amendment OLMS had in its disclosure files was for 2001.

Local Lodge 681 has now filed a copy of its constitution and bylaws, and therefore, the reporting deficiency was corrected.

I am not requiring that Lodge 681 file an amended LM report for 2007 to correct the deficient items, but Lodge 681 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Machinists Local Lodge 681 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 me at (513)684-3935.

Sincerely,

Lesta A. Chandler
District Director

cc: Kenneth Koch, President