

U.S. Department of Labor

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April 23, 2009

Mr. R. Watson Driver, Secretary-Treasurer
Machinists AFL-CIO
Lodge 735
1844 Air Lane Drive
Nashville, TN 37210

LM File Number 022-628
Case Number: [REDACTED]

Dear Mr. Driver:

This office has recently completed an audit of Machinists AFL-CIO Lodge 735 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 Grand Lodge Auditor Scott Ferguson and you on April 17, 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.

The CAP disclosed

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 735's 2008 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Lodge 735 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by the union president totaling at least \$488.00. For example, a lodging and airline receipts were missing. Additionally, several original receipts for strike expenses were not retained.

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. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$400.00 during 2008. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses. All of the information above was included in the Lodge 735's vouchers for mileage reimbursement except for the dates of travel.

3. Disposition of Property

Lodge 735 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items.

Based on your assurance that Lodge 735 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

1. 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 changes to its constitution or bylaws. Lodge 735 amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year.

Lodge 735 has now filed a copy of its constitution and bylaws.

Other Violations

The audit disclosed the following other violation(s):

1. 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.

Lodge 735's officers and employees are currently bonded for \$34,000, but they must be bonded for at least \$37,242. Lodge 735 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 **May 22, 2008**.

Other Issues

1. Lost Time Policy

As I discussed during the exit interview with Ferguson and you, the audit revealed that Lodge 735 does not have a clear policy regarding the types of lost time circumstances that personnel may claim for reimbursement and in addition to their monthly salary expense per your union's bylaws. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Countersignature Checks

During the audit, there were several checks that had only one officer signature. Your union's bylaws require that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. OLMS recommends that Lodge 735 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Machinists AFL-CIO Lodge 735 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: Scott Ferguson, Grand Lodge Auditor
President John Worrell