



May 10, 2005

Janice DeSmidt, President
Machinists Lodge 1430

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Dear Ms. DeSmidt:

As you are aware, this Office has recently completed an audit of Machinists Lodge 1430 under the Compliance Audit Program (CAP) to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with former secretary treasurer Edwin Siech, 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.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

Record Keeping Violations

The following record keeping violations were revealed during the audit of Lodge 1430's 2004 records:

1. Some vouchers filled out by or for officers of Lodge 1430 for lost wages did not contain sufficient information. Claims made on a single voucher for multiple dates when wages were lost did not reflect the number of hours lost for each date. Instead, a range of dates and the total number of hours lost were entered. The voucher must specify the number of hours lost for each individual date. For example, a payment was made to *FCU* for lost wages with check number 2198 dated 3/9/04. The voucher submitted for the payment to *FCU* indicated that the payment was to reimburse him for a total of 17 hours of lost wages over a period of several days. The voucher should have indicated the specific dates and specific time of the day "off the clock," i.e. (1/30/04 - 12:00 PM - 3:30 PM) for each of the dates.
2. Deposit slips that are included with canceled checks returned to the union with bank statements are routinely discarded after the statements have been reviewed and it has been confirmed that the statement deposit amounts agree with union records. As

mentioned above, all records used or received in the course of union business must be retained.

As agreed, provided that Lodge 1430 maintains adequate documentation for its disbursements and deposits in the future, no additional enforcement action will be taken regarding these violations.

Other Violations

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Lodge 1430's officers and employees are currently bonded for \$40,000, but they must be bonded for at least \$60,000. We received proof that Lodge 1430 has increased its bonding coverage from \$40,000 to \$60,000 on May 3, 2005, and therefore no further enforcement action will be taken regarding this matter.

Finally, by now you must be aware that Form LM-2 has recently been revised. When you file the LM-2 for the period January 1, 2005 through December 31, 2005 assuming Lodge 1430 has receipts of \$250,000 or more, you must use the revised version of the form. It must be filed electronically unless you have followed special hardship exemption provisions. If you or the preparer of Lodge 1430's LM-2 did not attend one of the many revised LM-2 seminars given by OLMS in December 2003, I urge you to become familiar with the new reporting requirements immediately. They are discussed at length on the OLMS website at www.olms.dol.gov (follow the Quick Link for Revised Form LM-2 information). The website contains the following:

- Information and FAQ's about the revised Form LM-2
- Information and FAQ's about the new Form T-1 for reporting of information about each trust in which a labor organization is interested (such as a PAC fund or training institution)
- Links to the LM-2 and T-1 electronic forms and instructions
- Purchase instructions for the digital signatures required for filing the electronic forms
- A User Guide for completing the electronic LM-2
- PowerPoint presentations on completing the LM-2 and T-1
- PowerPoint presentations on four bookkeeping methodologies that can be implemented with commonly used commercial accounting software
- A Data Specification Document for technical users wishing to import data into the forms

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I strongly recommend that you make sure that this letter is passed on to yours and Ms. Weber's successors at whatever time you may leave office.

I want to thank Mr. Siech for his cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to contact me or any other representative of our office.

Sincerely,

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Investigator

cc: Edwin Siech, former secretary treasurer
Cynthia Weber, secretary treasurer