



January 9, 2012

Mr. Thomas Mellerski, Secretary Treasurer
Machinists, AFL-CIO
Lodge 330
95 West Cavalier
Cheektowaga, NY 14227

Case Number: [REDACTED]
LM Number: 038-166

Dear Mr. Mellerski:

This office has recently completed an audit of Machinists Lodge 330 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 President Edward Fik, Grand Lodge Auditor Patrick Smutney and you on January 5, 2012, 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 330's 2010 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Lodge 330 did not retain adequate documentation for reimbursed expenses incurred by union officers and employees totaling at least \$6,700. For example, no hotel bills were retained for \$450 each and reimbursed to Recording Secretary Anthony Scime, Secretary Treasurer Thomas Mellerski, President Ed Fik, and R. Smith for the New York State Conference. In addition, airfare and hotel documentation was not retained by the union for Retirees [REDACTED] and [REDACTED] to attend the Retirees Conference totaling \$2,193.90.

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. Reimbursed Auto Expenses

President Edward Fik and other officers who received reimbursement for use of their personal vehicles did not retain adequate documentation to support payments to them for mileage during the period. The union records only show the total number of miles submitted for reimbursement. 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.

3. Lost Wages

Lodge 330 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees on most occasions where reimbursement was provided. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Lodge 330 retained a voucher which rarely identified the date of the loss and the number of hours on each date. In addition, the vouchers did not identify the rate of pay for the individual and most times did not include the union business conducted.

During the exit interview, I offered a sample voucher that Lodge 330 may use to satisfy this requirement, however the union declined the sample since the voucher currently used would suffice provided the information was properly recorded on such voucher.

Based on your assurance that Lodge 330 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 330 for the fiscal year ended December 31, 2010, was deficient in the following areas:

1. Cash Reconciliation; Ending Cash

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Lodge 330'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.

During the period, an error was made in the union's books that carried over through the end of the year, affecting the union's ending cash reported on the Form LM-3.

2. Receipts Reported Incorrectly

Lodge 330 incorrectly reported the cash receipts received during the period on the Form LM-3. The union reported a total of \$40,621 in receipts for the period, an amount that reconciled the improper ending cash; however the union only received \$38,271 in cash receipts.

The union reported incorrectly the amount of dues received from District 65 in Item 38 (Dues). Union's must report receipts in Statement B (Receipts and Disbursements) when money is actually received by the organization.

I am not requiring that Lodge 330 file an amended LM report for 2010 to correct the deficient items, but Lodge 330 has agreed to properly report the deficient items on all future reports it files with OLMS

Other Issue

Expense Policy

As I discussed during the exit interview with you, the audit revealed that Lodge 330 does not follow a clear policy regarding the amounts paid for delegate expenses, AFL-CIO meetings, and per diem expenses for travel. Although there is a written policy in the Bylaws of Lodge 330, the union does not adhere to the structure outlined, but rather has made changes and modifications to the policy without proper change to the Bylaws. OLMS recommends that unions adopt written guidelines concerning such matters and advises the union to make necessary changes to ensure the union has a good clear policy regarding such expenses.

Mr. Thomas Mellerski

March 6, 2012

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I want to extend my personal appreciation to Machinists Lodge 330 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: Mr. Edward Fik, President
Mr. Patrick Smutney, Grand Lodge Auditor