

U.S. Department of Labor

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



March 10, 2005

Richard Dufault, Financial Secretary
Machinists Local Lodge S7
92 Front Street, Suite 25
Bath, ME 04530

Re: [redacted]

Dear Mr. Dufault:

This office has recently completed an audit of Machinists LLG S7 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, as Amended (LMRDA). As discussed during the exit interview with you on February 24, 2005, 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 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. Local S7's officers and employees were bonded for \$23,000, but they were required to be bonded for at least \$28,000. The union obtained adequate bonding coverage for its officers and employees on February 24, 2005, by increasing the bond to \$30,000. Local S7 provided proof of bonding coverage to this office on February 25, 2005.

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.

The following record keeping violations were revealed during the audit of Local S7's 2003 records:

1. Union records documenting lost time reimbursements do not identify the union business conducted that required the lost wages to be incurred. The lost wage claims must 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.

As agreed, provided that Local S7 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by Local S7 for fiscal year ending December 31, 2003 was deficient in the following areas:

1. All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in Item 24. A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment made by your organization to another party (including Bath Iron Workers) for cash, property, goods, services, or other things of value received by or on behalf of an officer. Therefore, even though the local is sending its lost-time reimbursement to Bath Iron Workers, the payments are on behalf of the union officers and members taking the lost-time. Consequently, all lost-time reimbursements made on behalf of a particular officer must be reported next to that officer's name in Item 24, Column D. All other lost-time reimbursements made on behalf of union members should be reported in Item 55 (Other Disbursements).
2. Fixed Assets were erroneously reported in Item 30 (Other Assets), rather than Item 29 (Fixed Assets).

I am not requiring that Local S7 file an amended LM-3 report for 2003 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

The CAP disclosed a violation of LMRDA section 201(a) which requires that unions submit a copy of their current constitution and bylaws with its LM report when bylaw changes are made. Local S7 amended its bylaws in 1999, but a copy of the bylaws was not filed with the union's LM-3 report for that year.

Two copies of Local S7's bylaws have now been filed.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to your successor at whatever time you may leave office. I want to extend my personal appreciation for your and your entire staff's cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

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Investigator