

**U.S. Department of Labor**

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February 8, 2008

Mr. Wayson W. Loo, Secretary-Treasurer  
Machinists AFL-CIO LG 1245  
1934 Hau St.  
Honolulu, HI 96819

LM File Number: 049-273  
Case Number: [REDACTED]

Dear Mr. Loo:

This office has recently completed an audit of Machinists AFL-CIO LG 1245 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 December 11, 2007, 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 Violation

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 1245's 2006 records revealed the following recordkeeping violation:

#### Meal Expenses

Lodge 1245 did not require officers to submit itemized receipts for meal expenses totaling at least \$500. The union must maintain itemized receipts provided by restaurants to officers. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of the LMRDA Section 206.

Lodge 1245's records of meal expenses did not always include written explanations of the union business conducted or the names and titles of the persons incurring the restaurant charges. For example, Trustee Alexis Sumida had a meal expense in the amount of \$33.78, but only the credit card charge slip was provided instead of an itemized receipt and the persons incurring the charges. Former President [REDACTED] had a meal expense in the amount of \$16.84, but she did not submit an itemized receipt. You and Recording Secretary Marilyn Liftee had submitted various meal expense receipts totaling approximately \$450.00 that were not itemized and/or did not have the purpose of the meals. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

Based on your assurance that Lodge 1245 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 conditions and operations. The Labor Organization Annual Report Form LM-2 filed by Lodge 1245 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Disbursements to Officers and Employees

Lodge 1245 did not include some reimbursements to officers and employees totaling at least \$20,000 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the Lodge 1245 erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees (for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by a public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

## 2. Benefits

Lodge 1245 did not include disbursements for benefits to members in Schedule 20 (Benefits) on the Form LM-2 in the amount of \$55,566 for life insurance and other insurance premiums. It appears that Lodge 1245 erroneously reported these payments in Schedule 18 (General Overhead).

Lodge 1245 must file an amended LM-2 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. I explained to you the filing procedures and the availability of filing software on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-2 must be electronically filed as soon as possible, but not later than February 15, 2008. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

### Other Violation

The audit disclosed the following other violation:

#### 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

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those individuals or their predecessors handled during the preceding fiscal year.

Lodge 1245's officers and employees are currently bonded for \$80,000, but they must be bonded for at least \$89,240.43. Lodge 1245 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 February 15, 2008.

I want to extend my personal appreciation to Machinists AFL-CIO LG 1245 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: Ms. Carol K. Yamada, President