



July 29, 2011

Mr. Rodger D. Wells, Secretary Treasurer  
Machinist Local Lodge 1745  
P.O. Box 585  
Warrenton, MO 63383-0585

Case Number: [REDACTED]  
LM Number: 037386

Dear Mr. Wells:

This office has recently completed an audit of Machinist Local Lodge 1745 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 July 12, 2011, 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.

#### 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 LM-3 filed by Local Lodge 1745 for the fiscal year ended December 31, 2010, was deficient in that:

##### 1. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union'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.

In addition, Local Lodge 1745 failed to include in Statement B (Receipts and Disbursements) of the LM-3 report receipts and disbursements of Welfare and Scholarship Fund for the fiscal year ending December 31, 2010, which caused the report to reconcile by almost \$6,342. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. The purpose of Statement B is to report the flow of all the cash in and out of a labor organization. Therefore, money received and disbursed from each one of the local's accounts must be included on the LM report.

2. Disbursements to Officers

Local Lodge 1745 did not include some reimbursements to officers totaling at least \$3,073.47 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48.

The union must report most direct disbursements to Local Lodge 1745 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

3. 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. Local Lodge 1745 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year.

During the audit, Local Lodge 1745 provided OLMS with an amended Form LM-3 for the fiscal year ended December 31, 2010, to correct the deficient items discussed above. In addition, Local Lodge 1745 has now filed a copy of its constitution and bylaws.

I want to extend my personal appreciation to Machinist Local Lodge 1745 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. James L. Roberts, President  
Mr. Jim Tyler, Grand Lodge Auditor