

U.S. Department of Labor

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Office of Labor-Management Standards
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April 2, 2008

Ms. Linda Johnson, Secretary Treasurer
Machinists AFL-CIO
Local Lodge 2050
22048 Pickwick Street
West Lafayette, Ohio 43845

LM File Number 047-144
Case Number: [REDACTED]

Dear Ms. Johnson:

This office has recently completed an audit of Machinists Local Lodge 2050 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 Grand Lodge Auditor Tony Chesonis and you on March 27, 2008, 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 Local Lodge 2050's 2006 records revealed the following recordkeeping violation:

1. Receipt Dates not Recorded

Entries in Local Lodge 2050's receipts ledger did not reflect the date the union deposited money or the date the money was received. As previously advised by Investigator [REDACTED] during a compliance audit of your organization in 2004, union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. 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. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Local Lodge 2050 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 Local Lodge 2050 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away at least one bible during the audit year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

2. Purchase of Fixed Assets

Local Lodge 2050 did not correctly report disbursements for fixed assets in Item 52 (Purchase of Investments and Fixed Assets) purchased by the organization. The audit revealed that during 2006, Local Lodge 2050 purchased bibles totaling at least \$215 to donate for bereavement.

3. Disbursements to Officers

Local Lodge 2050 did not include some reimbursements to officers totaling at least \$140 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54.

The union must report most direct disbursements to Local Lodge 2050 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).

4. Disbursements to Employees

Local Lodge 2050 did not include some reimbursements/payments to employees totaling at least \$1,500 in Item 46 (To Employees, Less Deductions). It appears that the local erroneously reported these payments in Item 24 and Item 54.

The union must report in Item 46 disbursements to individuals other than officers who receive lost time payments and/or reimbursements even if your organization does not consider them to be employees or does not make any other direct or indirect disbursement to them.

5. Cash Receipts

Local Lodge 2050 under reported dues receipts in Item 38 (Dues) and interest in Item 41 (Interest & Dividends). The audit revealed that the employers withheld dues and forwarded the check off checks to District Lodge 34. The District then disbursed the local per capita to the International on behalf of the local and retained their portion of per capita tax. Local Lodge 2050 did not report the amount of dues received and subsequently transmitted on your behalf by the District and to the International.

Local Lodge 2050 must file an amended Form LM-3 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. At the exit interview, I provided you with a blank form, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than April 14, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to Machinists Local Lodge 2050 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: Tony Chesonis, Grand Lodge Auditor

Ms. Linda Johnson
April 2, 2008
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