



May 16, 2011

Mrs. Susan Drost, Secretary-Treasurer
Machinists Lodge 2182
967 Venture Court
Sacramento, CA 95825

Case Number: [REDACTED]
LM Number: 029-572

Dear Mrs. Drost:

This office has recently completed an audit of Machinists Lodge 2182 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 and Grand Lodge Auditor Greg Maszta on May 16, 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.

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 2182's 2010 records revealed the following recordkeeping violations:

1. Meal Expenses

Lodge 2182's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, the January 12, 2010 disbursement of \$172.11 to Round Table Pizza for 7 extra large pizzas included neither a list of who was present, nor an explanation concerning how the meal was union-related in nature. 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.

2. Receipt Dates not Recorded

Entries in Lodge 2182's receipts journal reflect the date the union deposited money, but not the date money was received. 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 Lodge 2182 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 2182 for the fiscal year ended December 31, 2010, was deficient in the following area:

Certificates of Deposit Reported As Investments

Lodge 2182 improperly included the value of its investments as cash in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS does not consider investment accounts to be cash. The purchase or redemption of investments is not considered a transfer of cash from one account to another and, therefore, the local should report these transactions as receipts or disbursements.

I am not requiring that Lodge 2182 file an amended LM report for 2010 to correct the deficient items, but Lodge 2182 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Machinists Lodge 2182 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,

A solid black rectangular box used to redact the signature of the investigator.

Investigator