

U.S. Department of Labor

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January 7, 2009

Mr. Anthony Walls, Secretary-Treasurer
Machinists AFL-CIO
Lodge 746
745 Worcester Avenue
Westchester, IL 60154

LM File Number 001-128

Case Number: [REDACTED]

Dear Mr. Walls:

This office has recently completed an audit of Machinists Lodge 746 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 16, 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 Lodge 746's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses/Lack of Supporting Documents

Lodge 746 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$605.00. For example, Lodge 746 officers incurred expenses of approximately \$455.00 for membership meeting refreshments that lacked supporting documentation. In addition, Lodge 746 failed to retain adequate documentation for \$150.00 in hall rental disbursements and a \$100.00 donation to an affiliated body.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Lost Wages

Lodge 746 did not retain adequate documentation for some lost wage reimbursement payments to a union officer. The union must maintain records in support of lost wage claims that 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. The OLMS audit found that Lodge 746 maintained a lost wage voucher that adequately recorded all required information for some lost wage reimbursements during 2007, but not all. During the instances in which Lodge 746 failed to maintain or retain a lost wage voucher, the receipts journal was limited in that it only identified the type of union business conducted.

3. Receipt Dates not Recorded/Failure to Record Receipts

Entries in the deposit section of Lodge 746's check stubs do not reflect the date money was received. For example, \$689.12 was deposited on January 27, 2007, but it did not appear in the deposit section of the check stub until February 9, 2007. 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.

In addition, Lodge 746 occasionally received \$2.00 each month from members who were sick or unemployed and \$15.00 for a withdrawal card, but the collection of these monies were not adequately recorded. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

4. Lack of Salary Authorization

Lodge 746 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. The union must keep a record, such as meeting minutes or an amendment to the Lodge's bylaws, to show the current salary authorized by the entity or individual in the union with authority to establish salaries.

Based on your assurance that Lodge 746 will retain adequate supporting 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 746 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Item 13 - Acquire/Dispose of Property & Item 14 - Audit

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 union shirts and Jewel-Osco gift cards totaling approximately \$1,411.00 during the 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."

Item 14 (During the reporting period did your organization have an audit of its books and records by an outside accountant or by a parent body auditor/representative?) should have been answered "no," because the only audits of the Lodge's books and records during the year were performed by you in your capacity as a union officer.

2. Election Date

Item 22 (What is the date of your organization's next regular election?) was answered "12/2007" even though you confirmed during the closing interview that the next regular election is scheduled for November 2009.

3. Disbursements to Officers

Lodge 746 reported monthly officer salaries in Item 24(e) (All Officers and Disbursements to Officers - Allowances and Other Disbursements) instead of 24(d) (Gross Salary). In addition, Lodge 746 did not include some salaries and reimbursements to officers totaling at least \$1,665.00 in the amounts reported in Item 24. It appears the union erroneously reported these payments in Item 46 (Cash Disbursements to Employees)

The union must report most direct disbursements to Lodge 746 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. 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 the bank statements.

5. Miscategorization of Receipts

Lodge 746 reported \$30,360.00 in Item 38 (Dues Receipts) even though your organization only received approximately \$19,310.00 in dues receipts during the year. The amount reported appears to include monies retained by an intermediate body when it received dues check-off directly from an employer on behalf of your organization. The instructions for Item 38 state that the union should not report dues check-off that is received and retained by an intermediate body from an employer on behalf of your organization.

6. Miscategorization of Disbursements

Lodge 746 reported \$11,110.00 in Item 47 (Per Capita tax Disbursements) during the year even though approximately \$12,057.00 in per capita tax disbursements was made by the Lodge. In addition, Lodge 746 reported approximately \$1,061.00 in Item 51 (Contributions, Gifts & Grants) during the year when only a single \$100.00 contribution appears to have been made during the year. Further, Lodge reported \$410.00 in Item 54 (Other Disbursements) during the year when \$1,121.00 in other disbursements, such as disbursements for meeting door prizes and union t-shirts, appear to have been made during the year.

Lodge 746 must file an amended Form LM-3 for fiscal year ending December 31, 2007, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on

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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 January 23, 2009. 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 Lodge 746 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: Tilman Darden, Lodge 746 President