



October 15, 2010

Mr. Don Johnson, Secretary-Treasurer  
IAM Lodge 831  
222 Prospect Place SW  
Cedar Rapids, IA 52404

Case Number: [REDACTED]  
LM Number: 042277

Dear Mr. Johnson:

This office has recently completed an audit of IAM Lodge 831 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 Jim Tyler on September 17, 2010, 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 831's 2009 records revealed the following recordkeeping violations:

1. Lost Wages

Lodge 831 did not retain adequate documentation for lost wage reimbursement payments to union officers on a large majority of lost time claims. 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 831, retained expense vouchers for all lost time claims; however, officers did not identify the union business conducted on the majority of vouchers.

I provided a sample of an expense voucher Lodge 831 may use to satisfy this requirement. The sample identifies the type of information and documentation that the Lodge must maintain for lost wages and other officer expenses.

2. Receipt Dates not Recorded

Entries in Lodge 831's receipts journal did not identify 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.

3. Lack of Salary Authorization

Lodge 831 did not maintain records to verify that the salary for Office Secretary Janet Behning reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Lodge 831 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 831 for the fiscal year ended December 31, 2009, was deficient in the following areas:

1. Fund Transfers Between Certificates of Deposit and the Lodge's General Fund Checking Account Reported As Receipts and Disbursements

Lodge 831 improperly included a portion of fund transfers between certificates of deposit and the general fund checking account in Item 44 Total Receipts and Item 55 Total Disbursements. The purchase or redemption of a certificate of deposit and the transfer of

interest from a certificate of deposit to the general fund checking account are transfers of cash from one account to another and, therefore, the Lodge should not report these transactions as receipts or disbursements.

2. 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. Lodge 831 amended its constitution and bylaws in January 2009, but did not file a copy with its LM report for that year.

Lodge 831 has now filed a copy of its constitution and bylaws.

Other Issues

Use of Signature Stamp

During the audit, you advised that it is Lodge 831's practice for you to sign all union checks and to stamp the signature of President Van Fossen on union checks. Article IV of Lodge 831's bylaws require that checks be signed by the president and secretary-treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Lodge 831 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to IAM Lodge 831 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. Brad Van Fossen, President