

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Minneapolis Resident Investigator Office
900 Second Avenue South, Suite 450
Minneapolis, MN 55402
(612)370-3111 Fax: (612)370-3107



February 12, 2009

Mr. Stephen Gordon, President/Directing General Chair
Machinists AFL-CIO District Lodge 143
1510 Lexington Avenue South
Mendota Heights, MN 55120

LM File Number: 028-038
Case Number: [REDACTED]

Dear Mr. Gordon:

This office has recently completed an audit of Machinists District Lodge 143 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, Treasurer Steve Dunn and International Representative Rick Fischer on December 8, 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 District Lodge 143's 2007 records revealed the following recordkeeping violation:

Meal Expenses

The audit revealed numerous instances in which meal expense receipts were inadequate. For example, in 2006 President/Directing General Chair Robert DePace had expenses of \$36,866 of which \$3,640 was reimbursed meal expenses. In 2007, President/Directing General Chair General Chair Stephen Gordon was reimbursed over \$1,600 for meals and General Chair Gerald Bernson had expenses of \$23,959 of which \$2,575 was reimbursed meal expenses. However, District Lodge 143 did not require officers and employees to submit itemized receipts for those and numerous other officers' meal expenses. Itemized receipts provided by restaurants to officers and employees must be maintained. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

District Lodge 143 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. 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.

Based on your assurance that District Lodge 143 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

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-2 filed by District Lodge 143 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Disbursements to Officers and Employees

District Lodge 143 did not include gross salary payments to officers and employees totaling \$68,848 in the amounts reported in Column D of Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). Union's must report gross salaries before payroll deductions and other withholdings in Column D of Schedules 11 and 12. It appears that the \$68,848 (in \$401K contribution withholdings) were erroneously reported in Schedule 20 (Benefits).

2. Liabilities

Item 17 (Did the labor organization have any contingent liabilities at the end of the reporting period) was incorrectly answered "No." Contingent liabilities are potential obligations that may or may not develop into actual liabilities in the future. In the case of District Lodge 143, accrued vacation balances that may be cashed out were not reported as liabilities as they should have.

I am not requiring that District Lodge 143 file an amended LM report for 2007 to correct the deficient items, but District Lodge has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

Lodge 143 Not Following Its Extraordinary Expenses Policy

In the document entitled, "District 143 financial policy" there is a section entitled, "Extraordinary Expense." This section states that, "All extraordinary expenses must be presented to the President/Directing General Chair or the Senior Resident General Chair **in advance** for approval." District Lodge 143 policy defines extraordinary expenses as payments for "business-related meetings which may entail a breakfast/lunch/dinner or other related social events." However, the audit revealed instances when officers receiving per diem were also reimbursed for business related meetings that also included a breakfast, lunch or dinner and there was no indication that these extraordinary expenses were presented to the President/Directing General Chair in advance of their being incurred. OLMS recommends that officer expenses be reviewed by the President/Directing General Chair to ensure compliance with the District 143 extraordinary expenses policy. An ongoing practice of reviewing such expenses can be an effective internal control.

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I want to extend my personal appreciation to Machinists District Lodge 143 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: Steve Dunn, Treasurer