



January 24, 2013

Case Number: [REDACTED]  
LM Number: 008-815

Mr. Richard Branaghan, Secretary-Treasurer  
Machinists Lodge 1731  
[REDACTED]

Dear Mr. Branaghan:

This office has recently completed an audit of Machinists Lodge 1731 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 Patrick Smutley on November 28, 2012, 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 1731's 2011 records revealed the following recordkeeping violations:

1. Disbursements Documentation

Lodge 1731 did not retain adequate documentation for monthly expenses totaling at least \$4,767.45. For example, no expense documentation was available for disbursements to In Good Hands for office space rental and storage; no invoices were available from Luna Marketing, Inc. for hats and jackets; and no supporting documentation was available for reimbursements to officers for donations to the Machinists Non-Political League.

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. Meal Expenses

Local 241 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, meal expense reimbursements totaling \$117.83 to President Tony Midea at the Wyndham Cleveland Hotel did not include any names of officers or employees of the union. 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.

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.

3. Disposition of Property

Lodge 1731 did not maintain inventory records of hats, jackets, and t-shirts it gave away at union meetings during the audit year 2011. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

Based on your assurance that Lodge 1731 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 1731 for the fiscal year ended December 31, 2011, was deficient in the following areas:

1. Disposal 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 hats, jackets, and t-shirts during the year at monthly meetings, and gave watches to retirees. 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 "meeting door prizes" or "retirees."

2. Disbursements to Officers

Lodge 1731 failed to properly record the officers' monthly salaries correctly in Item 24, Column D – Gross Salary (before taxes and other deductions) totaling at least \$3,780.00. The officers' salaries were incorrectly recorded in Item 24, Column E – Allowances and Other Disbursements.

Lodge 1731 officers' incorrectly used personal gas receipts as supporting documentation to substantiate their monthly salary payments without providing detail descriptions of the starting and ending mileage along with the purpose of union business. The audit disclosed these payments are officers' monthly salaries. These salary payments must be recorded as income to the officers, not as reimbursements.

The Form LM-3 instructions for Item 24 – All Officers and Disbursements to Officers state "Column (D): Enter the gross salary of each officer (before tax withholdings and other payroll deductions). Include disbursements for "lost time" or time devoted to union activities." Additionally, the instructions state "Column (E): Enter the total of all other direct and indirect disbursements to each officer other than salary."

3. 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. Machinists Lodge 1731 amended its constitution and bylaws in April 2007, but did not file a copy with its LM report for that year.

Machinists Lodge 1731 has now filed a copy of its 2007 constitution and bylaws.

I am not requiring that Lodge 1731 file an amended LM report for 2011 to correct the deficient items, but Lodge 1731 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 1731 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 redaction box covering the signature of the investigator.

Investigator

cc: Mr. Tony Midea, President