

**U.S. Department of Labor**

Office of Labor-Management Standards  
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October 29, 2009

Mr. Clay Parraghi, President  
Machinists AFL-CIO  
Lodge 141  
9335 Middlebelt Rd.  
Romulus, MI 48174

LM File Number: 051-909  
Case Number: [REDACTED]

Dear Mr. Parraghi:

This office has recently completed an audit of Machinists Lodge 141 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 Lodge 141 Secretary-Treasurer Thomas Collard on August 27, 2009, 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 141's 2008 records revealed the following recordkeeping violations:

1. Lodging Expenses

Lodge 141 did not retain adequate documentation for lodging expenses incurred by union officers to attend conferences and conventions totaling at least \$21,841.49. For example, you paid \$16,595.37 to Disney's Coronado Springs Resort to send six delegates to the District 141 convention, but failed to retain supporting documentation such as bills or invoices.

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 141 did not retain adequate documentation for lost wage reimbursement payments to union officers in at least six instances. 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 141 officers did not always identify on their lost wage vouchers the union business conducted.

3. Fixed Assets

Lodge 141 failed to maintain an updated inventory list for its fixed assets. The list failed to include assets purchased during the audit year (e.g. office furniture and two laptops). Such records are required to verify the accuracy and completeness of the information reported in Schedule 6 (Fixed Assets) of the union's Labor Organization Annual Report (Form LM-2).

Based on your assurance that Lodge 141 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(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 141 amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year. Lodge 141 has now filed a copy of its constitution and bylaws.

The audit also disclosed a violation of LMRDA Section 201(b), which requires the president and treasurer, or corresponding principal officers, of each labor organization to file an annual financial report accurately disclosing the union's financial condition and operations. The report must be filed within 90 days after the end of the labor organization's fiscal year. As Lodge 141's fiscal year ends on December 31<sup>st</sup>, it must file its annual financial report by March 31<sup>st</sup>. Lodge 141 filed its Form LM-2 for fiscal year ending December 31, 2008, on May 22, 2009. Furthermore, Lodge 141's LM reports have been delinquent for the past six fiscal years. The law does not authorize OLMS to grant an extension of time for filing reports. At the exit interview, you agreed that Lodge 141 will file all future reports with OLMS in a timely manner.

The audit disclosed additional violations of LMRDA Section 201(b), in that the Labor Organization Annual Report, Form LM-2, filed by Lodge 141 for fiscal years ending (FYE) December 31, 2007, and December 31, 2008, were deficient in the following areas:

#### FYE December 31, 2007

##### 1. Certificates of Deposit Reported As Investments

Lodge 141 improperly included the value of a certificate of deposit as an investment in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit to be cash. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the lodge should not report these transactions as receipts or disbursements.

2. Per Capita Tax

Lodge 141 failed to report per capita tax paid during 2007. Disbursements for per capita taxes, which are paid as a condition or requirement of affiliation with your parent national or international union, state and lodge central bodies, a conference, joint or system board, joint council, federation, or other labor organization, must be reported in Item 56 (Per Capita Tax).

3. Fixed Assets

Lodge 141 failed to report the "cost or other basis" for its fixed assets in Schedule 6 (Fixed Assets), Item 7(b). The lodge must report in Schedule 6 details of all fixed assets, such as land, buildings, automobiles and other vehicles, and office furniture and equipment owned by the labor organization at the end of the reporting period. The LM-2 software will automatically enter the correct amounts in Item 27 (Fixed Assets).

FYE December 31, 2008

1. Acquire/Dispose of Property

Item 15 (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 bibles 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." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

The audit revealed that Lodge 141 did not report the total value of its bibles in item 28. The union must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2. 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 28. Lodge 141 did not maintain an inventory of its bibles.

2. Fixed Assets

Lodge 141 failed to report the cost and depreciation of its office furniture in Schedule 6 (Fixed Assets). As previously stated, the lodge must report in Schedule 6 details of all fixed assets, such as land, buildings, automobiles and other vehicles, and office furniture and equipment owned by the labor organization at the end of the reporting period. The LM-2 software will automatically enter the correct amounts in Item 27 (Fixed Assets).

3. Rent

Lodge 141 erroneously reported rent paid for the lodge's union office totaling \$31,183 in Schedule 19 (Union Administration). Disbursements should be reported in Schedule 18 (General Overhead) only if they cannot be allocated to any of the other disbursement categories in Statement B.

4. Delegate Rooms

Lodge 141 improperly reported a "major" transaction totaling \$12,405 for delegate rooms at the international convention held at Disney World's Coronado Springs Resort in Schedule 15 (Representational Activities). A labor organization's direct and indirect disbursements to all entities and individuals associated with preparation for, and participation in, the negotiation of collective bargaining agreements and the administration and enforcement of the agreements made by the labor organization should be reported in Schedule 15.

The expense should have been reported in Schedule 19 (Union Administration). Union administration includes disbursements relating to the nomination and election of union officers, the union's regular membership meetings, intermediate, national and international meetings, union disciplinary proceedings, the administration of trusteeships, and the administration of apprenticeship and member education programs (not including political education which should be reported in Schedule 16).

I am not requiring that Lodge 141 file amended LM reports for 2007 and 2008 to correct the deficient items, but Lodge 141 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Authorization and Approval of Disbursements

Adequate internal financial controls are essential in order for a union to fulfill its obligations under Title II and Title V of the LMRDA. You and Mr. Collard advised during the opening interview that the membership has to approve all disbursements in excess of \$250, excluding regular bills. The audit disclosed that Lodge 141 failed to obtain authorization to purchase office furniture totaling \$1,529.45. Thus, you should take steps to ensure that prior membership authorization is obtained for transactions exceeding \$250 and that such authorizations are completely and accurately recorded in meeting minutes.

I want to extend my personal appreciation to Machinists Lodge 141 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,



Criminal Investigator

cc: Thomas Collard, Secretary-Treasurer