

**U.S. Department of Labor**

Employment Standards Administration  
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October 2, 2009

Ms. Betty Jo Garner, Office Manager  
Machinists AFL-CIO  
Lodge 254  
2000 Walker Street  
Des Moines, IA 50317

LM File Number 035-335  
Case Number: [REDACTED]

Dear Ms. Garner:

This office has recently completed an audit of Machinists Lodge 254 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 September 25, 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 254's 2008 records revealed the following recordkeeping violations:

1. Fixed Assets Inventory

Lodge 254 did not maintain an inventory of fixed assets. The union must report the book value at the start and end of the reporting period of all fixed assets, such as land, buildings, automobiles, and office furniture and equipment owned by the lodge in Item 29 (Fixed Assets) of the LM-3. The union must retain an inventory or similar record to verify, clarify, and explain the information that must be reported in Item 29.

2. General Expenses

Lodge 254 did not retain adequate documentation for expenses totaling at least \$15,085.28. For example, Check Number [REDACTED] for \$467.99 to Air-Con Mechanical Corp.; Check Number [REDACTED] for \$1,591.00 to Ralph N. Smith; Check Number [REDACTED] for \$831.53 to Air-Con Mechanical Corp.; Check Number [REDACTED] for \$1,118.68 to Air-Con Mechanical Corp.; Check Number [REDACTED] for \$658.02 to Air-Con Mechanical Corp.; Check Number [REDACTED] for \$420.32 to Air-Con Mechanical Corp.; Check Number [REDACTED] for \$1,397.74 to Ralph N. Smith; and Check Number [REDACTED] for \$8,600.00 to Ralph N. Smith.

As previously noted, 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.

Based on your assurance that Lodge 254 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 254 for fiscal year ending December 31, 2008, was deficient in the following areas:

#### 1. Disbursements to Officers

Lodge 254 did not include some reimbursements to officers totaling at least \$7,070.27 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). The union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Lodge 254 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).

#### 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 254 amended its constitution and bylaws in 2005, but did not file a copy with its LM report for that year.

Lodge 254 has now filed a copy of its constitution and bylaws.

I am not requiring that Lodge 254 file an amended LM report for 2008 to correct the deficient items, but Lodge 254 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violations:

1. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Lodge 254's officers and employees are currently bonded for \$46,000, but they must be bonded for at least \$50,458. Lodge 254 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than October 16, 2009.

I want to extend my personal appreciation to Machinists Lodge 254 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: Scott Lang, President