



September 27, 2012

Mr. Rickey N. Wallace, President
Machinists AFL-CIO, District Lodge 711
1901 Lindell Avenue
Nashville, TN 37203

Case Number: [REDACTED]
LM Number: 013249

Dear Mr. Wallace:

This office has recently completed an audit of Machinists AFL-CIO, District Lodge 711 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, Secretary-Treasurer Tim D. Stone, and Grand Lodge Auditor Scott D. Ferguson, Sr. on September 24, 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 District Lodge 711's 2011 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

District Lodge 711 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$7,002.22. For example, officers regularly travel and are

reimbursed for lodging and per diem. District Lodge 711 did not include in the expense voucher the union purpose or destination for union travel.

As 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

District Lodge 711 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$591.21. The union must maintain itemized receipts provided by restaurants to officers and employees. 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 711 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, a reimbursed meal expense for a purchase at Burger King in the amount of \$15.28 included an itemized receipt, but did not include a written explanation of the union business conducted or the names and titles of the persons incurring the restaurant charges. 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.

3. Union Owned/Leased Vehicles

The union did not maintain records necessary to verify the accuracy of the information reported in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) of the LM-2.

District Lodge 711 incurred expenses totaling at least \$10,796.58 for automobiles during 2012. However, District Lodge 711 did not maintain records documenting business versus personal use of the union vehicles.

The LM-2 instructions include specific rules for the reporting of automobile expenses. The union must report operating and maintenance costs for each of its owned or leased vehicles in Schedules 11 and 12 of the LM-2, allocated to the officer or employee to whom each vehicle is assigned.

For each trip they take using a union owned or leased vehicle, officers and employees must maintain mileage logs that show the date, number of miles driven, whether the trip was business or personal, and, if business, the purpose of the trip.

4. Failure to Record Receipts

District Lodge 711 did not record in its receipts records some employer dues checkoff checks totaling at least \$2,990. For example, District Lodge 711 received checkoff checks and failed to record them in the receipts journal. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

5. Failure to Maintain Investment Statement

District Lodge 711 did not maintain the December 2011 investment statement for the [REDACTED] investment account. As previously noted above, as a general rule, labor organizations must maintain all records used or received in the course of union business.

Based on your assurance that District Lodge 711 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-2) filed by District Lodge 711 for the fiscal year ended December 31, 2011, was deficient in the following areas:

1. Disbursements to Officers and Employees (LM-2)

District Lodge 711 did not include the names of some officers and the total amounts of payments to them or on their behalf in Schedule 11 (All Officers and Disbursements to Officers). It appears that the district erroneously reported these names and payments in Schedules 12 (Disbursements to Employees). Additionally, at-large executive board members listed as constitutional officers were not listed in Schedule 11. The union must report in Schedule 11 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

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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. District Lodge 711 amended its constitution and bylaws in 2004, but did not file a copy with its LM report for that year.

District Lodge 711 has now filed a copy of its constitution and bylaws.

I am not requiring that District Lodge 711 file an amended LM report for 2011 to correct the deficient items, but District Lodge 711 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

Expense Policy – Union Owned/Leased Vehicles

As I discussed during the exit interview with you, Secretary-Treasurer Tim D. Stone, and Grand Lodge Auditor Scott D. Ferguson, Sr., the audit revealed that District Lodge 711 does not have a clear policy regarding the personal use of union owned/leased vehicles and the calculation for reimbursement of fuel purchased for personal use of union owned/leased vehicles. OLMS recommends that unions adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Machinists AFL-CIO, District Lodge 711 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,

[REDACTED]
Supervisory Investigator

cc: Mr. Tim D. Stone, Secretary-Treasurer
Mr. Scott D. Ferguson, Sr., Grand Lodge Auditor