



October 20, 2011

Mr. Daniel Chmelko, President
Eastern States Conference of Machinists
2906 Euclid Ave.
Cleveland, OH 44115

Case Number: [REDACTED]
LM Number: 033-416

Dear Mr. Chmelko:

This office has recently completed an audit of Eastern States Conference of Machinists 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 Secretary-Treasurer Phillip M. Zannella on September 28, 2011, 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 Eastern States Conference of Machinists 2009 records revealed the following recordkeeping violations:

Failure to Maintain Proper Receipts Records

Eastern States Conference failed to maintain a receipts journal to reflect the date money was received, whom the money was received from, and when the union deposited the money. Union receipts records must show the date of receipt because it is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3 Report. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money.

Based on your assurance that Eastern States Conference of Machinists will retain adequate receipts 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-3) filed by Eastern States Conference of Machinists fiscal year ending December 31, 2009, was deficient in the following areas:

1. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 (Cash) state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

Additionally, the OLMS audit revealed that the total cash disbursements reported on Statement B of the December 31, 2009 Form LM-3 report is not the total disbursement figures for the year 2009 according to the union's books after reconciliation to the bank statements. For example, the union failed to record monthly bank service fees totaling \$52.60. Total disbursements calculated in Item 55 were under reported by \$4,321.00.

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. Eastern States Conference of Machinists amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year.

Eastern States Conference of Machinists has now filed a copy of its 2008 constitution and bylaws.

OLMS will take no further action against the reporting violations listed above because an amended December 31, 2009 LM-3 report has already been filed with the Secretary of Labor.

Other Issues

1. Check Sequence

The OLMS audit revealed that four checks were written out of sequence during the audit year. When preparing the December 31, 2009 LM-3 report, an incorrect checkbook balance was used because the checks that were written out of sequence were not included in the union's year-end balance. OLMS recommends careful review of the check sequence before a check is written.

2. Timely Deposits

The OLMS audit disclosed that receipts are held for months at a time and are not timely deposited. Failure to make timely deposits could result in the union reporting some receipts for a different year than when it actually received them.

I want to extend my personal appreciation to Eastern States Conference of Machinists 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: Mr. Philip M. Zannella, Secretary-Treasurer