



July 30, 2012

Mr. Stephen Dawson, President
Machinists Local Lodge 510
633 S. Hawley Road
Suite 113
Milwaukee, WI 53214

Case Number: [REDACTED]
LM Number: 026713

Dear Mr. Dawson:

This office has recently completed an audit of Machinists Local Lodge 510 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 Darrell Dent, Recording Secretary Allen Steinhagen, Vice President Steve Czarniak, and Trustees Tim Stanley and Brien Voscuil, and Grand Lodge Auditor Rick Fischer on July 17, 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 Local Lodge 510's 2010 and 2011 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local Lodge 510 did not retain adequate documentation for reimbursed expenses incurred by officers and employees totaling at least \$3,000. Officers and employees typically prepared expense vouchers that identified the date, type and amount of each expense incurred. However, in some instances adequate supporting documentation was not retained to support the expenses claimed. As an example, District Lodge 10 Business Representative Greg Pursell was reimbursed for travel expenses related to attendance at a union conference, but no receipts or other documentation was retained that specifically identified the expenses he incurred. As another example, Recording Secretary Allen Steinhagen was reimbursed for travel expenses related to his attendance at the same union conference and prepared a voucher that identified the expenses claimed; however, he attached only copies of receipts to the voucher (and not the original receipts).

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Lost Wages

Local Lodge 510 did not retain adequate documentation for lost wage reimbursement payments to officers and employees totaling at least \$1,700. Records must be maintained 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 audit found that in most instances, Local Lodge 510 maintained vouchers identifying each date lost wages were incurred, the number of hours lost on each date, and the applicable rate of pay. However, on some lost wage claims, officers failed to the union business conducted that required the lost wages be incurred. During the exit interview, I provided the compliance tip, *Union Lost Time Payments*, which identifies the type of information and documentation that the local must maintain for lost wages.

3. Secretary Treasurer Salary Not the Authorized Amount

Article V, Section 6 of Local Lodge 510's bylaws contain provisions identifying how the secretary treasurer's salary is to be computed. Section 6 states, in part, the secretary treasurer shall receive "\$0.50 per member per month." Union records show that during 2010 and 2011, former Secretary Treasurers [REDACTED] and [REDACTED] did not calculate their salaries according to the number of members on the monthly per capita reports, as required by Article V of the bylaws. IAM Grand Lodge Auditor Rick Fischer stated that he believed the former secretary treasurers paid themselves the same amount for salary each month based on some amount paid to a previous treasurer, rather than computing the exact amount to which they were entitled under the provisions of Article V. Records show that Mr. [REDACTED] and Mr. [REDACTED] paid themselves salary of \$238.50 per

month. As discussed, union records reflect that this amount was typically between \$25 and \$50 per month greater than the amount they were authorized to receive under the provisions of Article V. You advised that the payments appeared to be properly approved at the time. You also indicated that this was the result of poor bookkeeping and the union will be more diligent in the future. The union must keep a record which identifies the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Local Lodge 510 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 Local Lodge 510 for the fiscal year ended December 31, 2011, was following areas:

1. Acquire/Dispose 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?) was correctly answered, "Yes." Local Lodge 510 stated union apparel is given away. However, Local Lodge 510 failed to include that pocket and magnetic calendars were given away in Item 56 (Additional Information). The union also failed to list the value of the property given away in Item 56. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

2. Disbursements to Officers

Local Lodge 510 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). Specifically, Local Lodge 510 failed to include Recording Secretary Allen Steinhagen and Conductor Sentinel Terry Arnold in Item 24. During 2011, Mr. Steinhagen received \$1,429 in gross wages and \$1,636 in reimbursed expenses. Mr. Arnold received \$125 in reimbursed expenses. All persons who held office during the year must be reported in Item 24 regardless of whether they received any payments from the union.

Most direct disbursements to Local Lodge 510 officers and some indirect disbursements made on behalf of its officers must be reported 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).

I am not requiring that Local Lodge 510 file an amended LM report for 2011 to correct the deficient items, but Local Lodge 510 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Two Signatures on Checks

Article V, Section 4 of Local Lodge 510's bylaws states "No funds can be withdrawn without the signatures of the secretary-treasurer and the president." The audit revealed that salary checks only contained the signature of the secretary treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. OLMS recommend Local Lodge 510 review its disbursements procedures to improve internal control of union funds.

I want to extend my personal appreciation to Machinists Local Lodge 510 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. Darrell Dent, Secretary Treasurer
Mr. Rick Fischer, Grand Lodge Auditor