



October 30, 2012

Mr. Bruce Darrough, President  
Machinists Lodge 837B  
212 Utz Lane  
Hazelwood, MO 63042

Case Number: [REDACTED]  
LM Number: 065718

Dear Mr. Darrough:

This office has recently completed an audit of Machinists Lodge 837B 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 Treasurer Thomas Pinski on October 25, 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.

#### 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 837B for fiscal year ending December 31, 2011, was deficient in the following areas:

1. Item 22

The LM-3 report showed the local's next regularly scheduled election of officers as October 2013 when the election is in October 2012.

2. Cash Reconciliation

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 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements. The LM-3 report did not reconcile by \$26,998 because the total receipts and disbursements were not reported accurately. For example, the report showed inaccurate disbursements figures in that some items were double counted due to the transition to new accounting software. The report showed inaccurate figures in Item 41 Interest and Dividends, Item 43 Other Receipts, Item 45 To Officers (from Item 24), Item 46 to Employees, Item 48 Office and Administrative Expense, and Item 54 Other Disbursements.

3. Items 46 To Employee and Item 54 Other Disbursements

The lodge did not include some payments to employees in Item 46. It appears that the local erroneously reported these payments in Item 54 Other Disbursements.

The lodge has corrected the deficiencies and filed an amended LM-3 report with OLMS; therefore, no additional action is required.

Other Violations

The audit disclosed the following other violation:

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. The audit revealed that Lodge 837B's officers and employees were not bonded for the minimum amount required at the time of the audit. However, since the union's membership has significantly declined and the current bond will reportedly be adequate at the end of the current fiscal year, OLMS will take no further enforcement action regarding this issue.

I want to extend my personal appreciation to Machinists Lodge 837B 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. Thomas Pinski, Treasurer