

U.S. Department of Labor

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Office of Labor-Management Standards
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June 16, 2008

Mr. Randall Birdsall, President
Machinists AFL-CIO
Lodge 1529
25 Sherman Ave
Sidney, NY 13838-1417

LM File Number 041-398

Case Number: [REDACTED]

Dear Mr. Birdsall:

This office has recently completed an audit of IAM Lodge 1529 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 Financial Secretary Cynthia Stacy and you on June 4, 2008, 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 1529's 2007 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

Lodge 1529 did not record in its receipts records donations received from plantwide donations, receipts collected by the Women's Committee and interest earned on savings accounts totaling at least \$13,492. For example, Stewards collected cash donations throughout the plant for plantwide donations and the Women's Committee held social events, sold T-shirts, and collected donations through out the year. The only records maintained for these receipts were the date and amount of deposit or Money Order purchased. 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.

2. General Reimbursed and Credit Card Expenses

Lodge 1529 did not retain adequate documentation for reimbursed expenses totaling at least \$200. For example, some officers submitted their credit card bill rather than providing an original, itemized receipt for the reimbursed hotel or on line purchase.

As previously 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.

Based on your assurance that Lodge 1529 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 1529 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Lodge 1529 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). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union. During the compliance audit you explained that all members of the Policy Committee (except the educator and communicator) have a vote in making Lodge decisions. The LMRDA defines an "officer" as "any constitutional officer, any person authorized to perform the functions of president, vice president, secretary, treasurer, or other executive functions of the labor organizations, and any member of its executive board or similar governing body."

The union must report most direct disbursements to Lodge 1529 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. Beginning and Ending Cash

Lodge 1529 did not include the total amount of cash in banks in Item 25(a) and (b). The compliance audit revealed three union accounts that were not being reported on the LM-3; the Relief Fund, Women's Committee Savings, and Women's

Committee Checking. Your labor organization's Form LM-3 must report financial information for all funds of your organization. Include any special purpose funds or accounts, such as strike funds, vacations funds, and scholarship funds even if they are not part of your organization's general treasury.

Fixed Assets

Lodge 1529 did not accurately report the total value of fixed assets at the end of the reporting period on Item 29(b). Enter in Columns (a) and (b), respectively, 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 your organization. It appears that the local erroneously left the zero's off the total value; reporting \$145 rather than \$145,000.

4. Interest and Dividends

Lodge 1529 did not report interest earned on the money market and Women's Committee Savings account in Item 41. Enter the total amount of interest and dividends received by your organization from savings accounts, bonds, mortgages, loans, investments, and all other sources. It appears that the local erroneously reported the money market interest in Item 43, Other Receipts. The Women's Committee Savings account interest was not reported at all.

5. Cash Reconciliation

It appears that the cash figures reported in Items 25 (a) and (b), 44, and 55 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. In addition to the labor organization accounts not included in the 2007 LM-3, you reported funds transfers as receipts in Item 43, Other Receipts. Funds transferred between union accounts should not be reported as receipts.

Lodge 1529 must file an amended Form LM-3 for fiscal year ending December 31, 2007, to correct the deficient items discussed above. I have included a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than July 3, 2008.

Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violations

The audit disclosed the following other violation(s):

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 1529's officers and employees are currently bonded for \$19,000, but they must be bonded for at least \$23,375. Lodge 1529 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 July 3, 2008.

Other Issues

1. Duplicate Receipts

Some members of Lodge 1529 pay dues directly to the union. Union officers issue receipts to dues payers, but they do not issue these numbered receipts in order. OLMS recommends that Lodge 1529 continue to use the duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts; ensuring they use those receipts in order. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

2. Use of Signature Stamp

During the audit, you advised that Lodge 1529 obtained signature stamps for yourself and Mrs. Stacy following the flood to reproduce membership cards. Your local bylaws require that checks be signed by the president and financial secretary. 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. However, the use of a signature stamp for the second signer does not attest to the authenticity of the completed document, and negates the purpose of the two signature requirement. OLMS recommends that Lodge 1529 review these procedures to improve internal control of union funds.

3. Inventory of Fixed Assets

As I discussed during the exit interview, the audit revealed that Lodge 1529 does not have an inventory of fixed assets. It is important that you account for all union property by keeping a detailed inventory; including adequate descriptions and serial numbers for electronic equipment.

4. 50/50 Raffles

A review of Lodge 1529's meeting minutes revealed that the lodge conducted 50/ 50 Raffles during the year for fundraising. I suggested that in future raffles you deposit the total amount of proceeds from the raffle and write a check to the raffle winner.

5. Lost Time Policy

The audit revealed that Lodge 1529 does not have a clear policy regarding the lost time officers may claim for reimbursement. During the opening interview, you indicated that a member must lose time out of their 8.0 hour day in order to claim reimbursement for lost time. You also indicated that you do not pay lost time for missed over time. A review of lost time records and payroll records revealed that three of your second shift officers received reimbursement for lost time, then appear to have worked 8 or more hours for the employer. OLMS recommends that the union review these situations and clarify their lost time policy.

Mr. Randall Birdsall

June 16, 2008

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I want to extend my personal appreciation to IAM Lodge 1529 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: Cynthia Stacy, Financial Secretary
Jack Hecker, Grand Lodge Auditor