

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
St. Louis District Office
1222 Spruce Street, Suite 9.109E
St. Louis, Missouri 63103
(314) 539-2667 / Fax: (314) 539-2626



March 17, 2005

Mr. Chuck Smith, Secretary-Treasurer
International Association of Machinists
Local 837-A
212 Utz Lane
Hazelwood, Missouri 63042

Dear Mr. Smith:

This office has recently completed an audit of Machinists Local 837-A 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 on March 8, 2005, the audit disclosed the following problems. This is not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

The audit revealed that the union failed to retain adequate documentation for some large disbursements during the audit year. All disbursements require supporting documentation. Even if the disbursement is a donation to a charity, please request a receipt from the charity to which you are donating. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive handwritten receipt from the organization to which you are donating. Because there is no evidence of willfulness regarding the retention of these records, no further action will be taken by this office.

The CAP disclosed that the Labor Organization Annual Report (Form LM-3) for fiscal year ending December 31, 2002 failed to meet the standards of acceptability. The report was deficient, as it failed to reconcile. The report did not reconcile, because disbursements were short by \$12,644, which appeared to be a clerical error. Also, the local's fixed assets were not included on the report. The local reported these items correctly on the Form LM-2 for fiscal year

ending December 31, 2003; however, the local failed to report investments in Schedule 2. This office is not requesting an amended report at this time, but ensure that you are properly reporting investments in the future.

In the exit interview, we discussed where lost time should be recorded on the Form LM-2. Normally, if a local pays lost time directly to an officer, the lost time should be recorded under gross salary in Schedule 9 "All Officers and Disbursements to Officers." But, because the district handles your payroll and the local reimburses the district, it is acceptable to record lost time in an itemized fashion in Schedule 15 "Other Disbursements." I understand, from examining the Form LM-2 of District 837, that they are reporting lost time as a direct disbursement in Schedule 9 of their report. So, the local is recording this disbursement appropriately.

Local Lodge 837-A IAMAW Bylaws dated November 1, 2004, Article VIII, Section 1(a) states, "Investment of Local Lodge funds shall be in accordance with the provisions of the IAM Constitution and on majority vote of the members present and voting at a regular meeting." During the fiscal year ending December 31, 2003, the executive board transferred funds and purchased investments, but there is nothing recorded in the meeting minutes reflecting that this was voted on by the membership. In order to be in accordance with the bylaws, these investment decisions should be brought before the membership and recorded as such in the general membership meeting minutes.

I strongly recommend that you make sure that this letter is shared with the other officers in your local and passed on to your successors at whatever time you may leave office.

I want to thank you for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to contact me or any other representative of our office.

Sincerely,

Dennis L. Eckert
District Director

By: 700
Investigator

cc: 2

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