



August 31, 2005

Mr. Brian Kelly  
President  
Machinists, AFL-CIO  
37 Rosedale Avenue  
Medford, New York 11763

Re: 2

Dear Mr. Kelly:

This office has recently completed an audit of Machinists, Lodge 2759 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, as Amended (LMRDA). As discussed during the exit interview with Grand Lodge Auditor Earl Evans and you, the following problems were discussed 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.

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 following record keeping violations were revealed during the audit of Lodge 2759's 2003 records:**

**1. Disbursements**

With respect to documentation retained in support of specific disbursements, the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all the recipients of the goods and services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. Local 2759 did not retain original bills, invoices, receipts, and vouchers to support disbursements amounts. For example adequate documentation was not retained for purchases of office supplies and administrative expenses.

## 2. Lost Wages

Union officers failed to submit records for lost wage claims detailing the date and/ or purpose of the claims. Records that identify the date, number of hours lost, rate of pay, and business purpose (reason) for all lost wages must be retained.

## 3. Other

The union did not maintain bank statements and cancelled checks for the period October 2002 to April 2003. Copies from 4 were provided by the union upon OLMS request. Inasmuch as you have agreed to maintain records for the required period of time, no further action is contemplated at this time.

## 4. Conclusion of Record Keeping Violations

Due to the merger of Lodge 2759 membership into Lodge 434 effective June 30, 2005, no additional enforcement action will be taken regarding the record keeping violations.

It is suggested that the union maintain records of the Executive Board meetings to document decisions of the union leadership.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Lodge 2759's LM report. You should be aware that Section 206 of the LMRDA provides for a fine of not more than \$10,000 or imprisonment for not more than one year, or both, for willful failure to maintain records.

### **The following reporting violations were revealed during the audit of Lodge 2759:**

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (LM-3) filed by Lodge 2759 for fiscal year ending December 31, 2003, was deficient in the following areas:

#### 1. Item 24 (All Officers and Disbursements to Officers)

All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in item 24. A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. The union did not report lost wages payable to the union officers on the 2003 LM-3 report.

I am requiring that Lodge 2759 file an amended LM-3 report for 2003 to correct the deficient items. Please return your union's completed amended report as promised to our office at the above address by September 20, 2005.

2. Failure to File Bylaws

~~As agreed, Lodge 2759 will file two copies of its current bylaws with this agency by September 20, 2005.~~

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to your successor at whatever time you may leave office.

I want to extend my personal appreciation for the cooperation and courtesy extended by you during this compliance audit. If I can be of any assistance in the future, please do not hesitate to call.

Sincerely,

FCC

Investigator