

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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November 30, 2005

Paul Daniels, Secretary-Treasurer
Machinists, AFL-CIO LG 2452
770 Lower Ferry Road
Leroy, AL 36548

Re:

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Dear Mr. Daniels:

This office has recently completed an audit of Machinists AFL-CIO LG 2452 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 you, President William Sullivan, and International Auditor Stan Brown on October 7, 2005, 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.

The CAP disclosed the following:

Record Keeping Violations

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 2452's 2004 records:

1. Officer and Employee Expenses

The union failed to retain adequate documentation such as the July 2004 bank statements for the following bank accounts:

4 - 4 You noted that when you took over for former Secretary-Treasurer 7(0) you are not sure if you ever received these bank statements. In addition, the union failed to retain adequate documentation such as a mileage log for officers.

With respect to documentation retained in support of specific disbursements (including those in payment of credit card charges), 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 or 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. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

As agreed, provided that Lodge 2452 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

2. Other

Adequate documentation was not retained for documentation of the inventory of the fixed assets of Lodge 2452. You agreed to keep an inventory list in the future.

Reporting Violations

1. LM-2 Schedules 9 and 10 (All Officers and Disbursements to Officers / Disbursements to employees)

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-2) filed by Lodge 2452 for fiscal year ending December 31, 2004, was deficient in that Lodge 2452 failed to include some reimbursements to officers and employees in the amounts reported on Schedule 9 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in Schedule 12 (Contributions, Gifts & Grants) and Schedule 13 (Office and Administrative Expenses).

Specifically, the \$20 drawing won at the May 2004 membership meeting by Officer William Sullivan, president, was not reported under Schedule 9(G) under Other Disbursements. Door prizes won by an officer or an employee should be reported under Other Disbursements. It was also not reported on Form LM-2 under Schedule 9 (G) under Other Disbursements that Trustee Wilbert Dixon was paid \$600 by Lodge 2452 in 2004 for building maintenance/lawn services he provided to the union hall.

Direct disbursements to officers and employees for reimbursement of expenses incurred while conducting union business must be reported in Column F of Schedules 9 and 10 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses incurred by union personnel must also be reported in Column F of Schedules 9 and 10. However, indirect disbursements for business expenses incurred for transportation by a public carrier (such as an airline) and for temporary lodging expenses incurred while traveling on union business must be reported in Schedule 13 (Office and Administrative Expenses). Any direct or indirect disbursements to union personnel for expenses not necessary for

conducting union business must be reported in Column G of Schedules 9 and 10 (Other Disbursements).

I am not requiring that Lodge 2452 file an amended report for 2004 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

Other Violations

1. Failure to File Bylaws

The CAP disclosed a violation of LMRDA section 201(a) which requires that unions submit a copy of their current constitution and bylaws with its LM report or when bylaw changes are made. Lodge 2452 had not sent the Secretary of Labor in Washington, D.C. or the Nashville District Office a copy of the most recent bylaws. Two copies of Lodge 2452's constitution and bylaws have now been filed.

2. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. At the time of the audit, Lodge 2452's officers and employees were currently bonded for \$26,000, but they needed to be bonded for at least \$27,456.36. The union has now obtained adequate bonding coverage for its officers and employees of \$27,500.

I want to extend my personal appreciation for your and your entire staff's cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

Ronald G. Elmore
District Director

By: 7(C)

Investigator

cc: President William Sullivan