

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
St. Louis District Office
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St. Louis, Missouri 63103
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August 18, 2005

Mr. Joseph DePauli
Machinists Local 688
521 Cedar Hill Estates
Union, Missouri 63084

Dear Mr. DePauli:

This office has recently completed an audit of Machinists Local 688 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 August 12, 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 a violation of LMRDA Section 201(b), because the LM-3 report filed by Local 688 for fiscal year ending December 31, 2004 was deficient in the following area:

A fund transfer from your strike fund to the general fund checking was added to the receipt total and disbursement total on your LM-3 report. This \$2,500 fund transfer should not have been recorded as a receipt or disbursed cash on the LM-3 report. Additionally, after this adjustment was made, the LM-3 report receipt and disbursement totals were still approximately \$1,700 higher than the receipt and disbursement totals determined during the course of the audit.

As discussed during the closing interview, I am not requiring that you file an amended LM-3 report for 2004 to correct the deficient items, but as agreed, your union will properly report the correct receipts and disbursements on all future reports filed with this agency.

The audit also disclosed that during 2004 you often stamped the president's signature on checks. You informed me that it is the union's policy that checks be signed by the president and financial secretary-treasurer. The second signature requirement is an effective internal control of union funds. Its purpose is to verify the authenticity of a completed document that is already signed. However, the use by the primary signer of a signature stamp for the second signature does not verify the authenticity of the completed check, and undermines the purpose of the countersignature requirement. As a result, you may want to revise this aspect of your check disbursement procedure if you have not already done so.

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 successors at whatever time you may leave office.

I want to extend my personal appreciation to 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: 7cc1
Investigator

cc: Steven Dunn, Grand Lodge Auditor
3692 Sainsbury Court
St. Charles, MO 63303

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