



October 3, 2012

Mr. Mark Burgar, Financial Secretary-Treasurer  
Machinists Lodge 643  
[REDACTED]

Case Number: [REDACTED]  
LM Number: 052379

Dear Mr. Burgar:

This office has recently completed an audit of Machinists Lodge 643 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 and President Tony Brown on September 27, 2012, 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 643's 2011 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Lodge 643 did not retain adequate documentation for reimbursed expenses by Local Chairman Kenneth Anderson totaling at least \$81. Lodge 643 failed to maintain a complete record of the date(s) the expenses were incurred, each expense (mileage, lost

wages), the rate at which each expense was paid (mileage rate, pay rate), and the specific union purpose for the expenses.

Lodge 643 did not retain adequate documentation for debit card expenses incurred by President Tony Brown totaling at least \$269. For example, receipts of the membership meeting meal purchases are missing for the months of July, October, November, and December.

As 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.

## 2. Meal Expenses

Lodge 643 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, none of the membership meeting meal receipts had the above stated information on the receipts. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

## 3. Membership Meeting Minutes

Lodge 643 failed to maintain minutes of their September through December 2011 membership meetings. Officer nominations took place in November, and their officer election took place in December 2011. Section 401 (e) of the LMRDA requires labor unions to maintain election records for one year.

Based on your assurance that Lodge 643 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-4 filed by Lodge 643 for the fiscal year ended December 31, 2011 was deficient in the following areas:

#### 1. Fidelity Bond

Lodge 643 should have answered "yes" to Item 12 because they have a fidelity bond and reported the amount of that bond.

#### 2. Total Receipts

Lodge 643 did not report all of their receipts (income) in Item 16. All receipts should be reported in Item 16.

3. Total Disbursements

Lodge 643 did not report all of their disbursements (expenditures) in Item 17. All disbursements should be reported in Item 17.

4. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Lodge 643 amended its constitution and bylaws in 2008, but did not file a copy with its LM report for that year.

Lodge 643 has now filed a copy of its constitution and bylaws.

Lodge 643 must file an amended Form LM-4 for the fiscal year ended December 31, 2011 to correct the deficient items discussed above. I encourage Lodge 643 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-4 should be filed electronically no later than October 23, 2012 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Issues

1. Budget

The audit revealed that Lodge 643 does not have a budget yet disbursements were greater than receipts for the past three years. OLMS recommends creating a budget to prevent Lodge 643's disbursements being greater than their receipts and to keep a positive bank balance.

2. Union meetings

OLMS recommends having quarterly instead of monthly membership meetings in order to decrease costs and increase member participation.

I want to extend my personal appreciation to Machinists Lodge 643 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,

A solid black rectangular box redacting the signature of the sender.

Senior Investigator

cc: Mr. Jason Hall, Vice-President  
Mr. Dan Baker, Recording Secretary  
Mr. Tony Brown, President