



September 12, 2011

Mr. Raleigh Fox, President
Machinists AFL-CIO District Lodge 66
1307 Market Street
La Crosse, WI 54601-4846

Case Number: [REDACTED]
LM Number: 514146

Dear Mr. Fox:

This office has recently completed an audit of Machinists AFL-CIO District Lodge 66 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 Secretary-Treasurer Dennis Gerke, Secretary Carla Easterday, Grand Lodge Auditor Rick Fischer, and you on August 25, 2011, 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 District Lodge 66's 2010 records revealed the following recordkeeping violations:

1. Disbursements to Vendors and Reimbursements to Employees

District Lodge 66 did not retain adequate documentation for disbursements to a few vendors totaling at least \$8,303.82, and adequate documentation was not retained for payments to

Directing Business Representative Rick Mickschl totaling at least \$1,476.30 for reimbursed expenses and meals. For example, adequate supporting documentation was not retained for an \$803.82 check issued to the Madison Concourse Hotel on February 23, 2010 for the Wisconsin State Council of Machinists Conference Call meeting. In support of that expense, District Lodge 66 only retained a copy of the conference registration form with the attendee's names and the lodging charges written on it, which is not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. 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. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Lost Wages

District Lodge 66 did not retain adequate documentation for lost wage reimbursement payments to Mr. Gerke and you totaling at least \$8,185.85. The audit found that District Lodge 66 retained vouchers for lost wage reimbursements, but the vouchers were not sufficient in that officers did not record adequate descriptions of the union business conducted on the vouchers. For example, of the 22 vouchers Mr. Gerke submitted to District Lodge 66 for lost wage reimbursements, 20 had a union business purpose of "S/T" or "S/T Work," which does not sufficiently describe the union business conducted. In addition, vouchers retained for at least for lost wages totaling \$647.63 paid to Mr. Gerke dated June 2, 2010, July 14, 2010, July 28, 2010, September 22, 2010, and December 1, 2010 indicate the claims were for wages lost on May 17, 2010, June 25, 2010, July 20, 2010, September 15, 2010, and November 15, 2010. However, payroll records obtained from Mr. Gerke's employer, Chart Energy & Chemical Company, revealed that the lost wages claimed by Mr. Gerke appear to have been lost on February 23, 2010, April 5, 2010, June 28, 2010, July 13, 2010, and September 8, 2010.

Records must be maintained in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted.

Based on your assurance that District Lodge 66 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-2) filed by District Lodge 66 for the fiscal year ended December 31, 2010, was deficient in the following areas:

1. Disbursements to Employees

District Lodge 66 did not include some reimbursed expenses to Mr. Mickschl and Ms. Easterday totaling at least \$473 in Schedule 12 (Disbursements to Employees). District Lodge 66's expense vouchers for the audit year indicate that Mr. Mickschl and Ms. Easterday received reimbursed expenses totaling \$12,042. However, the total amounts reported in Column F (Disbursements for Official Business) of Schedule 12 total only \$11,569. During the exit interview, Mr. Fischer indicated that the reimbursed expenses not reported in Schedule 12 were most likely reimbursements for office supplies. It appears that some payments were erroneously included in the amounts reported in Item 5 (All Other Disbursements) of Schedule 18 (General Overhead) and Schedule 19 (Union Administration).

Direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business must be reported in Column F of Schedules 11 and 12 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur must be reported in Column F of Schedules 11 and 12. However, indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11 and 12.

2. Failure to Report District Lodge 66's Membership

District Lodge 66 reported no members in Item 20 (How many members did the labor organization have at the end of the reporting period) and Schedule 13 (Membership Status). The report was prepared by Mr. Fischer, who advised that the number of members were not reported in Item 20 and Schedule 13 because he did not consider the members of the affiliated local lodges members of District Lodge 66 for LM reporting purposes. However, for purposes of calculating the number of members to reported on LM reports, OLMS has long required that intermediate bodies (such as the District Lodge) include in the calculation members who pay dues directly to it as well as members on whose behalf per capita dues are paid to any affiliated organization.

I am not requiring that District Lodge 66 file an amended LM report for 2010 to correct the deficient items, but District Lodge 66 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Machinists District Lodge 66 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 black rectangular redaction box covering the signature of the sender.

Senior Investigator

cc: Mr. Dennis Gerke, Secretary-Treasurer
Mr. Rick Fischer, Grand Lodge Auditor