



April 8, 2016

Mr. Thomas J. Manson, President
Machinists Lodge 1363
4614 Prospect Avenue
Suite 404
Cleveland, OH 44103

Case Number: 350-6004076
LM Number: 017651

Dear Mr. Manson:

This office has recently completed an audit of Machinists Lodge 1363 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 Business Representatives Phillip Zannella and Thomas Verdi, and Grand Lodge Auditor Jack Hecker on April 1, 2016, 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 Local 1363's 2014 records revealed the following recordkeeping violations:

General Receipts and Disbursement Records

Machinists Lodge 1363 did not retain bills/invoices for services obtained from its law firm, Schwarzwald, McNair & Fusco LLP, during the fiscal year. The union must maintain records which verify its expenditures for goods and services purchased. The union must maintain itemized bills and/or invoices provided by merchants and vendors. 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.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money. 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.

Based on your assurance that Lodge 1363 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

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 Lodge 1363 for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Disbursements to Officers and Employees

Lodge 1363 did not include a reimbursement to an employee totaling at least \$126.81 in Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 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. The union must report in Column G

(Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

2. Overcounting of Investment Receipts

In Schedule 3 (Sale of Investments and Fixed Assets) and Schedule 4 (Purchase of Investments and Fixed Assets), Lodge 1363 failed to include the value of any reinvestments on the Less Reinvestments line of these Schedules. This resulted in the overcounting of receipts by the union from its investments during the fiscal year. Any investments owned by the union during the fiscal year that are sold within an investment portfolio and used to purchase a different investment (such as the sale of one mutual fund or stock to purchase another mutual fund or stock without any funds from the sale ever being actually distributed to the union) should have the value of the reinvestments included on the Less Reinvestments line of Schedule 3. Likewise, any investments already owned by the union during its fiscal year of which additional quantities are purchased and thereby reinvested during the year should have the value of any such reinvestments included on the Less Reinvestments line of Schedule 4.

3. Failure to Itemize Disbursement or Receipt

Lodge 1363 did not properly report several “major” transaction(s) in Schedules 14 and 19. A “major” transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. The audit found that the union’s \$114,148 in receipts for business representative reimbursements from the IAM Grand Lodge in Schedule 14, and its \$55,644 in disbursements for legal services to Schwarzwald & McNair in Schedule 19, both consisted of multiple individual transactions, each of which were more than \$5,000.

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 1363 amended its constitution and bylaws in 2010, but did not file a copy with its LM report for that year.

Lodge 1363 has now filed a copy of its constitution and bylaws.

I am not requiring that Lodge 1363 file an amended LM report for 2014 to correct the deficient items, but Lodge 1363 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 Lodge 1363 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this

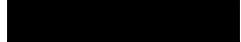
Mr. Thomas J. Manson

June 23, 2016

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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,



Senior Investigator

cc: Mr. Frank E. Keeney, Secretary/Treasurer
Mr. Phillip M. Zannella, Business Representative