

U.S. Department of Labor

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June 3, 2009

Mr. John Grandestaff, Secretary-Treasurer
Machinists AFL-CIO
Local Lodge 1759
1037 Sterling Road, Suite 104
Herndon, VA 20170

LM File Number 031-362

Case Number: [REDACTED]

Dear Mr. Grandestaff:

This office has recently completed an audit of Machinists Local Lodge 1759 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 IAM Grand Lodge Auditor Bill Dameron, Lodge 1759 President Michael Bukta, and you on June 2, 2009, 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 1759's 2008 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 1759 did not retain adequate documentation for reimbursed expenses to union officers. For example, the union failed to maintain itemized receipts for food purchased by officers for monthly membership meetings.

As previously 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. Failure to Retain Records

Lodge 1759 failed to maintain a dues checkoff report, some monthly membership posting reports, and some per capita reduction reports. All union records must be maintained.

3. Lost Wages

Local 1759 did not retain adequate documentation for a lost wage reimbursement payment. The union must maintain records 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. The OLMS audit found that the date lost time was incurred was wrong on at least one occasion.

Based on your assurance that Local 1759 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-3) filed by Local 1759 for fiscal year ending December 31, 2008, was deficient in the following areas:

1. Disbursements to Officers

Local 1759 did not include some reimbursements to officers and some payments for lost time in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears that the union erroneously reported these payments in other disbursement categories.

The union must report most direct disbursements to Local 1759 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Disbursements to Employees

The union improperly indicated in Item 17 that it did not pay an employee salary, allowances, and other expenses totaling more than \$10,000. The audit determined that Local 1759 paid Office Secretary John Kennedy a gross salary of \$12,710 plus some additional travel expenses. The union should therefore have marked Item 17

“yes” and reported the name, title and total disbursements to or on behalf of the employee in Item 56.

Local 1759 must file an amended Form LM-3 for fiscal year ending December 31, 2008, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than June 30, 2009. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Duplicate Receipts

Some members of Local 1759 pay dues and initiation fees directly to the union. A union officer records these payments in the union’s receipts journal. On most occasions, the union issued a receipt to these members. However, the audit revealed some instances where the union did not issue a receipt to a direct payor. OLMS recommends that Local 1759 issue original pre-numbered receipts to all members who make payments directly to the union and retain copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

2. Improper Payments to an Officer

The audit revealed improper payments to a union officer. The union’s lost time policy states that officers are entitled to be reimbursed for any time lost from the employer to conduct union business. The audit revealed that an officer was paid twice for the same date of time lost from his employer. The audit also revealed that the union paid this officer for time to attend two union meetings when that time was not lost from his employer. The total improper lost time payments to this officer totaled \$192.70.

The audit also revealed that the union wrote a check to a hotel for union travel for this officer. The evidence showed that the officer checked out of the hotel one day

early and was reimbursed \$129.95 by the hotel for one night's stay. This money was never returned to the union and there were no records indicating that this money was used for a union purpose.

Based on the above, this officer received a total of \$322.65 that he was not entitled to. This officer has agreed to repay this amount to the union, and must do this no later than June 30, 2009. We strongly recommend that the union look into additional internal controls to make sure that all union payments are proper and for legitimate union expenses.

I want to extend my personal appreciation to Machinists Local Lodge 1759 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,



Investigator

cc: Michael Bukta, President