Office of Labor-Management Standards Cleveland District Office 1240 East 9th Street, Suite 831 Cleveland, OH 44199 (216) 357-5455 Fax: (216) 357-5425



September 16, 2011

Ms. Linda Pacheco, Secretary Treasurer Machinists Local Lodge 439 4161 Ridge Road Cleveland, OH 44144 Dear Ms. Pacheco:

This office has recently completed an audit of Machinists Local Lodge 439 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 Grand Lodge Auditor Patrick Smutney on July 12, 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 Local Lodge 439's 2010 records revealed the following recordkeeping violation:

## Documentation

Local Lodge 439 failed to maintain any backup documentation relating to a \$26,000 donation made to Machinists District Lodge 54.

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Based on your assurance that Local Lodge 439 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-3 filed by Local Lodge 439 for the fiscal year ended December 31, 2010, was deficient in the following areas:

1. Disbursements

Local Lodge 439 failed to report a \$26,000 donation to Machinists District Lodge 54 on their LM-3 Report filed for fiscal year ending December 31, 2010.

2. Transfers

Local Lodge 439 counted a \$10,000 transfer made from their savings account to their checking account as a receipt, thus inflating the figures reported on their LM-3 Report Filed for fiscal year ending December 31, 2010 by \$10,000.

Local Lodge 439 has filed an amended Form LM-3 for the fiscal year ended December 31, 2010, correcting the deficient items discussed above.

I want to extend my personal appreciation to Machinists Local Lodge 439 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: Mr. Harold Walters, President