



April 13, 2016

Mr. David Durbin, President
Machinists Lodge 700
82 Saybrook Road
Higganum, CT 06441

Case Number: 110-6004208
LM Number: 036-613

Dear Mr. Durbin:

This office has recently completed an audit of Machinists Lodge 700 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 Treasurer Robert Deegan and Vice President Melvin Tripp on April 11, 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 Machinists Lodge 700's 2014 records revealed the following recordkeeping violations:

1. Meal Expenses

Lodge 700 did not retain adequate documentation for meal expenses incurred by union officers and employees totaling at least \$340.89. The local did retain three meal receipts totaling \$340.89 but they were not properly documented with the names of the participants. 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 restaurants where the officers or employees incurred meal expenses.

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. Lost Wages

Lodge 700 did not retain adequate documentation for lost wage payments to union officers/members totaling at least \$76,253. 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 employer, Pratt & Whitney, billed the local for lost time incurred by the union officers and members. Lodge 700 did not use a lost wages and expense voucher but did retain the employer invoices as their supporting record for lost wages claimed. The employer invoices did note the required information for the date lost wages were incurred, number of hours lost, and the hourly rate but the description of the union business conducted for the lost wages was not sufficiently descriptive.

During the exit interview, I provided a sample of an expense voucher Lodge 700 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other expenses.

3. Receipt Dates not Recorded

Entries in Lodge 700's receipts journal reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays money out. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Lodge 700 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 LM-2 filed by Machinist Lodge 700 for fiscal year ending December 31, 2014, was deficient in the following area:

1. Disbursement to Officers and Employees

Lodge 700 did not include lost time payments made to the employer on behalf of union officers and members totaling \$76,253 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the lodge erroneously reported these payments in Item 50 (Representational Activities). The lodge also did not include some payments to officers totaling at least \$752.36 in Schedule 11. It appears that the lodge erroneously reported these payments in Schedules 15 through 19.

The union must report in Column D of Schedules 11 and 12 (Gross Salary Disbursements) direct disbursements to officers and employees for lost wages incurred while conducting union business. In addition, the union must report in Column D of Schedules 11 and 12 indirect disbursements made to another party (such as the employer) on behalf of union officers and members for time lost conducting union business. 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.

3. Acquire/Dispose of Property

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away watches, calendars, and bibles totaling at least \$5,817.64 during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

4. Sale of Supplies

Lodge 700 did not correctly report disbursements for supplies for resale. The audit revealed that during 2014, Lodge 700 disbursed \$2,391.81 for jackets that it re-sold to members, collecting receipts totaling at least \$2,023. The LM-2 instructions require that the union

report receipts from the sale of supplies in Item 39 (Sale of Supplies) and the disbursements for supplies for resale in Item 59 (Supplies for Resale). In addition, it must report the value of any supplies for resale on hand at the beginning and end of the year in Item 28 and Schedule 7 (Other Assets).

Machinists Lodge 700 must file an amended Form LM-2 for fiscal year ending December 31, 2014, to correct the deficient items discussed above. I advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended Form LM-2 should be submitted to this office at the above address as soon as possible, but not later than May 10, 2016. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to Machinists Lodge 700 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: Robert Deegan, Treasurer