

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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June 25, 2008

Mr. Bill Hendry, Treasurer
Machinists AFL-CIO
Lodge 1
1976 Ramal Court, SW
Conyers, GA 30094

LM File Number 015-264

Case Number: [REDACTED]

Dear Mr. Hendry:

This office has recently completed an audit of Machinists Lodge 1 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 James Coker on May 19, 2008, 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 adequate records be maintained for at least 5 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information. An exception may be made only in

those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

The audit of Machinists Lodge 1's 2007 records revealed the following recordkeeping violations:

Officer Expenses

Union officers failed to maintain adequate documentation for reimbursed expenses that were directly paid by the union. The original receipts along with the date, amount, and business purpose of every expense, including mileage, must be recorded on at least one union record. In addition, the names of individuals present for meal expenses at membership meetings and the location (name of restaurant) where meal expenses were incurred must be recorded.

Other Expenses

Adequate documentation was not retained for some purchases of office supplies, equipment, and postage. The original receipts of the purchases along with the date, amount, and business purpose of every expense must be recorded on at least one union record.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Machinists Lodge 1's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can also result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 applies to any person, not just the individuals who are responsible for filing the union's LM report.

As agreed, provided that Machinists Lodge 1 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP 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 Machinists Lodge 1 for fiscal year ending December 31, 2007, was deficient in the following areas:

LM-3 Item 24 (All Officers and Disbursements to Officers)

Payments to Officer not listed

The total amounts of payments to one of the officers or on their behalf was not reported in Item 24 (All Officers and Disbursements to Officers). All persons who held office during the year must be reported in Item 24 regardless of whether or not they received any payments from the union.

Some payments to officers not properly reported

Machinists Lodge 1 failed to include some reimbursements to officers in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in Item 48 (Office and Administrative Expense) and Item 54 (Other Disbursements).

All direct disbursements to Machinists Lodge 1 officers must be reported 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.

OLMS received Machinists Lodge 1 amended Form LM-3 for fiscal year ending December 31, 2007, to correct the deficient item discussed above prior to completing its review.

I want to extend my personal appreciation to Machinists Lodge 1 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you

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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: James Coker, President