



April 20, 2010

Mr. Jim Bisignano, Secretary-Treasurer
Machinists Lodge 31
13445 Cryer Ave.
Omaha, NE 68144

Case Number: [REDACTED]
LM Number: 025940

Dear Mr. Bisignano:

This office has recently completed an audit of Machinists Lodge 31 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 on May 6, 2010, 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 Lodge 31's 2009 records revealed the following recordkeeping violations:

1. Rent Expenses

Lodge 31 did not retain adequate documentation for rent expenses incurred by the lodge totaling at least \$5,400.00.

As 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. Disposition of Property

Lodge 31 did not maintain an inventory of t-shirts it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items.

3. Bank Records

Local 31 did not maintain all bank statements corresponding to one of the lodge's two certificates of deposit.

The union must retain bank records for all accounts.

Based on your assurance that Lodge 31 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 Lodge 31 for fiscal year ending December 31, 2009, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (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 t-shirts 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."

2. Disbursements to Officers

Lodge 31 did not include some reimbursements to officers totaling approximately \$5,276 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements). During the audit, you explained that three of the lodge's officers' lost time salary is paid by their employer, and that Lodge 31 reimburses the employer for these expenses. As these expenses are considered indirect salary disbursements, Lodge 31 should have reported these expenses under column D (Gross Salary) in Item 24 of the lodge's LM-3 report.

The union must report most direct disbursements to Lodge 31 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).

3. 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 31 amended its constitution and bylaws in 2005, but did not file a copy with its LM report for that year.

Lodge 31 has now filed a copy of its constitution and bylaws.

I am not requiring that Lodge 31 file an amended LM report for 2009 to correct the deficient items, but Lodge 31 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Signing Blank Checks

During the audit, you advised that President John Rogers signs blank checks. You further explained that all checks should be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest

to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Lodge 31 review these procedures to improve internal control of union funds.

2. Officer Reimbursement

As I discussed during the exit interview with you, the audit revealed that Lodge 31 paid for an officer's passport even though that officer did not use the passport for the benefit of the union, and the officer did not reimburse the union for this expenditure. The LMRDA requires that all union funds are to be used for the benefit of the union.

3. Lost Time Payment

As I discussed during the exit interview with you, a review of documents obtained from the employer of an officer of your lodge indicated that this officer was paid for one day of lost time for which he was not authorized. You advised me that you could not recall why this officer was paid an extra day of lost time, but that you would research the matter. As discussed, in the future, please obtain all authorizations for lost time sent to the employer from Machinists District Lodge 6 to verify that all lost time payments have been properly authorized.

I want to extend my personal appreciation to Machinists Lodge 31 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. John Rogers, President