

U.S. Department of Labor

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August 24, 2006

Mr. Scott Neupert, Secretary-Treasurer  
Machinists AFL-CIO  
Local Lodge #1202  
412 Hankes Avenue  
Aurora, IL 60505

Re: Case Number: ~~XXXXXXXXXX~~

Dear Mr. Neupert:

This office has recently completed an audit of Machinists Local 1202 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 Scott Neupert, Rick Johnson, and Bob Hamilton on July 21, 2006, 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.

The CAP disclosed the following violations:

#### **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.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local Lodge 1202's 2005 records revealed the following recordkeeping violations:

### **Officer and Employee Expenses**

Union officers and employees failed to maintain adequate documentation for reimbursed expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record. Local Lodge 1202 currently uses suitable vouchers for reimbursement requests. Specific supporting documentation for reimbursable expenditures should be affixed to the appropriate voucher.

### **Lost Wages**

Some vouchers submitted by union personnel for lost wages do not identify the union business conducted that required lost wages be incurred. The lost wage claims must 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.

### **Disposition of Property**

Local Lodge 1202 failed to maintain an inventory of hats, jackets, gift cards, and other property which were purchased and sold or given away. Records must be maintained that account for all union property. In the case of union hats, jackets and other items sold to members, the date and amount received from every sale must be recorded in at least one record.

### **Receipts**

Local Lodge 1202 failed to record some initiation fee, unemployment fee, and retirement dues checks in their receipt books. Union receipts records must include an adequate identification of each receipt of money. All receipt records should show the exact date the money was received, the identity of the source of the money, and the individual amount received from each source.

### **Other**

Adequate documentation was not retained for some purchases of office supplies and internet packages for the Local Lodge 1202 office.

Also, union records were not maintained in regards to bank account activity for the "50/50 raffle" checking account kept by the local under President Rick Johnson's name. Separate records of bank account activity must be maintained by both the bank and the labor organization. The local also must place the account under the local's name.

**Conclusion/Recordkeeping Violation(s)**

As agreed, provided that Local Lodge 1202 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 Local Lodge 1202 for fiscal year ending December 31, 2005, was deficient in the following areas:

**Acquire/Dispose of Property**

Item 13 (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 jackets, hats, and gift cards/gift certificates during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. In addition, the union must retain records that adequately account for all property purchased, sold, and given away.

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

Local Lodge 1202 failed to include some reimbursements to officers in Item 24 (All Officers and Disbursements to Officers). All direct disbursements to Local Lodge 1202 officers and some indirect disbursements made on behalf of its 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. An "indirect disbursement" to an officer is a payment to another party (including credit card companies) 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). The cell phone bill paid by the local for President Rick Johnson should be reported in Item 24(E) – Allowances and Other Disbursements.

### **Other**

The LM report filed by Local Lodge 1202 for FY 2005 needs to reflect the correct amount of interest and dividends for the year in Item 41 (Interest and Dividends). That difference also needs to be reflected in Items 25 (Cash Items) and Item 31 (Total Assets).

Item 25 (Cash Items) and Item 31 (Total Assets) also need to reflect the money that was kept in the local's separate "50/50 raffle" checking account. The LM report filed for 2005 did not include those funds in those items.

### **Conclusion/Resolution of Reporting Problems**

Local Lodge 1202 must file an amended Form LM-3 for fiscal year ending December 31, 2005, to correct the deficient items discussed above. I provided you with a blank form and instructions, and discussed with you the availability of the reporting forms and instructions on the OLMS website ([www.olms.dol.gov](http://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 August 25, 2006. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

### **Other Issues**

The audit disclosed the following other issues:

#### **Failure to Read Minutes at Local Lodge 1202 Membership Meetings**

In November 2005, Local Lodge 1202 was advised by Grand Lodge Auditor Bob Hamilton to read the membership meeting minutes from the previous meeting aloud at each meeting. Subsequent meeting minutes show that the membership and union officers chose not to read the minutes at following meetings. It is recommended that the local does read the minutes from the previous meeting at every meeting.

#### **Failure to Issue Receipts upon Receipt of Funds**

The audit revealed that Local Lodge 1202 did not always issue receipts immediately upon receipt of various forms of cash dues. It is recommended that Local Lodge 1202 issue receipts immediately after receiving funds from members. Local Lodge 1202 officers and employees who collect dues should maintain receipt books where duplicate receipts in numerical order are maintained.

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**Failure to Make Deposits in a Timely Manner**

The audit revealed that Local Lodge 1202 did not deposit cash receipts in a timely manner. For example, cash receipts for the month of April may not have been deposited until July. It is recommended that Local Lodge 1202 deposit all receipts within the same month that they are received.

I want to extend my personal appreciation to Machinists Local 1202 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