

**U.S. Department of Labor**

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Office of Labor-Management Standards  
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February 7, 2007

Mr. Jay Haney, President  
Machinists, AFL-CIO  
Local Lodge 1918  
P.O. Box 747  
Benton Harbor, MI 49023

Re: Case Number: [REDACTED]

Dear Mr. Haney:

This office has recently completed an audit of Machinists Local Lodge 1918 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 Machinists Local Lodge 1918 Secretary-Treasurer Priscilla Burks on November 20, 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.

**Recordkeeping Violations**

The CAP, which covered the fiscal year ending December 31, 2005, disclosed several recordkeeping violations of Title II of the LMRDA. Section 206 requires, among other things, that the president and treasurer or corresponding principal officers of each labor organization 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, 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 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 revealed the following recordkeeping violations:

Receipts:

The June 11, 2005 membership meeting minutes indicate that raffle tickets for a big-screen television and a family picnic were being or going to be sold. However, no records to account for money collected from the sale of tickets and to identify the individuals who received prizes were observed. With respect to the sale of raffle tickets, records must be maintained, at a minimum, that identify the name of each person who sells tickets and the date and amount of money that each such person turns in to the union. Such records must show that the persons who sell tickets fully account for all of the tickets provided to them by returning any unsold tickets along with the money raised from sold tickets. Local Lodge 1918 must retain all unsold tickets. Local Lodge 1918 is not required, but is encouraged, as a means of more effective internal financial control, to keep additional records that identify the names of members who purchased tickets and the dates and amounts of such purchases.

With respect to the distribution of raffle prizes, the union can most easily satisfy the recordkeeping requirement by preparing a list of the names of individuals who receive items. In addition, the union must maintain adequate supporting records that document prize purchases.

These types of transactions must be reported on your union's Labor Organization Annual Report (Form LM-3) in Items 30 (Other Assets), 43 (Other Receipts), and 51 (Contributions, Gifts and Grants), as appropriate. In addition, the type and value of any property given away and the identity of the recipient(s) of such property must be reported in Item 56 (Additional Information).

Officer Expense Allowances

The union's bylaws that were in effect from January through April 2005 authorize a \$30 monthly expense allowance for the secretary-treasurer. During that time, Ms. Burks received \$100 per month. In addition, those bylaws and the revised bylaws that were in effect for the rest of the audit period do not provide any monthly expense allowance for delegates. ██████████ received \$35 per month for four months during the

audit period. The union was unable to provide any documentation of authorization or approval of these amounts.

Although such expense allowance payments to officers may have been authorized or approved at past membership or executive board meetings, the union's failure to keep detailed meeting minutes that document properly obtained authorization or approval of these payments prevented verification of their legitimacy. You agreed to ensure that there is a full understanding, either by the inclusion in the union's constitution and bylaws or in the form of membership or executive board authorizations recorded in meeting minutes, about the level of salary, allowances, and expenses (if any) to which the union's officers, employees, and members are entitled. During the audit, the union provided copies of its bylaws which reflect current levels of compensation.

#### Officer Expenses

The date, amount, and business purpose of every expense must be recorded on at least one union record. Where meal expenses are incurred, the names of individuals present and the locations and names of restaurants must be recorded. Union officers failed to maintain adequate documentation for all expenses reimbursed during the audit period. For example, no supporting documentation was provided for an expense voucher that Ms. Burks submitted for an OLMS conference in September 2005, or for an expense voucher that you submitted for a conference in Chicago in October 2005.

The recordkeeping requirement for disbursements can be most easily satisfied with a sufficiently descriptive bill, invoice, receipt, etc., that identifies the vendor's name and address, the date and amount of the transaction, and the goods or services provided. If a receipt is not sufficiently descriptive, then the union should note the missing information on the receipt. If the business purpose of the disbursement or the identity of the recipient(s) of the goods or services is not self-evident, then the union must note such information on the receipt or some other record.

If a receipt is not provided by a vendor, then the union must create a record containing the above information with a notation that original documentation was not provided. The only exception to this policy is for expenses generated by the union (e.g., salary, lost time, etc.) which, nonetheless, must be supported by some other type of documentation (e.g. lost time vouchers, payroll records, executive board and membership authorizations and/or approvals, etc.).

### Lost Time

The audit revealed that the local failed to include sufficiently descriptive information on all lost time vouchers. For example, the lost time voucher submitted for check number 3149, payable to [REDACTED] for \$207.26, did not contain any descriptive information regarding the lost time hours claimed. At a minimum, lost time vouchers must indicate the date(s) when lost time was incurred; the specific times and number of hours claimed; the wage rate per hour claimed; and the reason or purpose for incurring lost time. "Union business" or "miscellaneous" are insufficient descriptions and not acceptable under Title II of the LMRDA.

The union's bylaws state that lost time claims are to be presented at union executive board meetings for approval. The union failed to maintain any executive board meeting minutes and did not consistently maintain detailed minutes for membership meetings. Had detailed minutes been maintained, they might have provided information that would have helped to explain or clarify the above and other financial transactions.

### Other

The audit noted some inconsistencies in the names of payees recorded on canceled checks and the cash disbursements journal. The union should carefully compare these records to avoid filing a deficient annual financial report with OLMS.

### Conclusion/Recordkeeping Violations

Adequate records were not maintained for all financial transactions involving Machinists Local Lodge 1918, in violation of Section 206 of the LMRDA. Contemporaneous, accurate, and complete records necessary to permit verification of the information required on your union's annual financial report must be preserved and kept available for examination for not less than five years after the report is filed.

The proper maintenance of union records is the personal responsibility of a union's president and treasurer. 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 apply to any person, not just the individuals who are responsible for filing the union's annual financial report.

You agreed that, in the future, Machinists Local Lodge 1918 will maintain adequate documentation as discussed above. Therefore, no additional enforcement action will be taken regarding these violations at this time.

### **Reporting Violations**

The CAP disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its annual financial report when constitution or bylaws changes are made. Local Lodge 1918 amended its bylaws in 2001, but a copy was not filed with its annual financial report for that year.

The CAP also revealed violations of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations within 90 days after the end of their fiscal year. The following deficiencies on the Labor Organization Annual Report (Form LM-3) filed by Machinists Local Lodge 1918 for the fiscal year ending December 31, 2005, were discussed with you and Ms. Burks during the exit interview (it should be noted that the audit conducted was not intended to identify all possible reporting violations):

- The beginning and ending cash figures (Items 25(A) and 25(B), respectively) do not agree with the corresponding figures in the union's records.
- All union officer expenses were not included in Item 24 (All Officers and Disbursements to Officers). With few exceptions, all direct and indirect disbursements to 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 (room rent charges only) or for transportation by a public carrier (such as an airline) for an officer traveling on official union business may be reported in Office and Administrative Expense (Item 48).

- The total amount of interest reported (Item 41) does not agree with the corresponding figures in the union's records.
- The total receipts and total disbursements figures (Items 44 and 55, respectively) do not agree with the corresponding figures in the union's records.
- The union's savings account and certificate of deposit balances were not included in ending cash (Item 25(B)). Cash reported in Item 25 should include all your organization's cash on hand and on deposit at the start and end of the reporting period in Columns (A) and (B), respectively. Cash on hand includes undeposited cash, checks, and money orders; petty cash; and cash in safe deposit boxes. Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money market accounts. The checking account balances reported should be obtained from your union's books as reconciled with the balances shown on bank statements.
- Local Lodge 1918 improperly included fund transfers from a closed checking account in Item 43 (Other Receipts). The purpose of Statement B is to report the flow of cash in and out of your organization during the reporting period. Transfers between separate bank accounts or funds do not represent the flow of cash in and out of your organization. Therefore, these transfers should not be reported as receipts and disbursements.
- Additional reporting errors are detailed in the Error Summary that I gave to you at the exit interview.

#### Conclusion/Reporting Violations

Like the proper maintenance of union records, the timely filing of a union's accurate and complete annual financial report is the personal responsibility of a union's president and treasurer or corresponding principal officers. 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 file reports 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(b) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, the knowing falsification of a union's annual financial report, or the omission of material facts from a report, 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(b) and Section 3571 of Title 18

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apply to any person, not just the individuals who are responsible for filing the union's annual financial report.

Local Lodge 1918 provided OLMS with a copy of its most current bylaws during the audit. In addition, you agreed at the exit interview to file copies of the union's revised bylaws in a timely manner in the future. You recently filed an amended Form LM-3 for the fiscal year ending December 31, 2005, to correct the deficient items discussed above. At the exit interview, you agreed to file your union's annual financial reports with OLMS in a timely manner and to properly report the deficient items in the future. Therefore, no additional enforcement action will be taken regarding these violations at this time.


I want to extend my personal appreciation to Machinists Local Lodge 1918 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,

Ian Burg, District Director

By:

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Investigator

cc: Priscilla Burks, Secretary-Treasurer