

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
Cleveland District Office  
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June 9, 2006

Mr. Jerry Veverka , Treasurer  
Machinists AFL-CIO  
Local Lodge 523  
P.O. Box 186  
Spencer, OH 44275

Re: Case Number: XXXXXXXXXX

Dear Mr. Veverka :

This office has recently completed an audit of Machinists Local Lodge 523 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 18, 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 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 523 for fiscal year ending December 31, 2005, was deficient in the following areas:

- Cash was incorrectly reported at the start and the end of the reporting period.
- The names of some officers and the total amounts of payments to them or on their behalf were 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.
- Local Lodge 523 failed to include some reimbursements to officers and employees in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in Item 54.

All direct disbursements to Local Lodge 523 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 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 LM report when constitution or bylaw changes are made. Local Lodge 523 amended its bylaws in 2003, but a copy was not filed with its LM report for that year.

A copy of Local Lodge 523's current bylaws has been received and Local Lodge 523 has submitted an amended 2005 LM-3 Report to the Cleveland District Office correcting the errors involving the reporting of cash, officer positions, and reimbursements to officers. Therefore, no further action is being considered regarding these violations at this time.

Additionally, though not a violation, it is recommended that Local Lodge 523 require two signatures on union checks, instead of the one signature that is currently required.

I want to extend my personal appreciation to Machinists Local Lodge 523 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,

Fred Vaudrin  
District Director