

U.S. Department of Labor

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June 16, 2006

Mr. John Mitchell, Secretary-Treasurer
Machinists AFL-CIO
Local Lodge 1052
P.O. Box 290
Dixon, IL, 61021

Re: Case Number: ~~XXXXXXXXXX~~

Dear Mr. Mitchell:

This office has recently completed an audit of Machinists Local Lodge 1052 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 John Mitchell on April 19, 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.

Record Keeping Violations

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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 recipients of the goods or services.

The following record keeping violations were revealed during the audit of Local Lodge 1052's 2004 records:

Receipts

Local Lodge 1052 failed to record in its records an adequate identification of each receipt of money. The records should show the exact date that 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 officer salary and lost wage disbursements that were combined with reimbursable expenses. If multiple expenditures are going to be reimbursed on one union check, a voucher needs to be maintained to itemize the expenditures. The voucher must identify the date, number of hours lost, rate of pay, and business purpose (reason) for all lost wages. The voucher must also include any salaries or reimbursable expenses. The business purpose and identity of all reimbursable expenses must be disclosed on the voucher. Supporting documentation for reimbursable expenditures should be affixed to the appropriate voucher. During the exit interview, we reviewed samples of vouchers that have been used in past years by Local Lodge 1052. We agreed that such vouchers are suitable for future use.

In addition, adequate documentation was not retained for December 2004 dues check-off payments that were received from Unimin Corporation and Rock Valley Disposal.

Also, union records were not maintained in regards to bank account activity for the savings accounts at [REDACTED]. Separate records of bank account activity must be maintained by both the bank and the labor organization.

Conclusion of Record Keeping Violations

As agreed, provided that Local Lodge 1052 maintains adequate documentation for its disbursements and receipts 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), because the Labor Organization Annual Report (Form LM-3) filed by Local Lodge 1052 for fiscal year ending December 31, 2004 was deficient in the following areas:

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

All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in item 24. The audit revealed that Local Lodge 1052 reported Shop Committee Chairman Dennis Bulfer's lost time and salary in item 24 even though the Shop Committee Chairman position is not an executive board position per the local lodge's Bylaws. Further, Bulfer was identified in item 24 as a trustee of Local Lodge 1052. However, the gross salary that was listed next to Bulfer's name had nothing to do with serving as a trustee since the trustees of Local Lodge 1052 are not compensated for their services. Salaries for all non-executive board positions should be listed in item 46 (cash disbursements to employees). Bulfer should remain on item 24 since he is a member of the executive board by virtue of his trustee position, but his corresponding salary should be zero.

LM-3 Item 40 (Fees, Fines, Assessments & Work Permits)

Item 40 requires a labor organization to report receipts from fees, fines, assessments, and work permits. Local Lodge 1052 erroneously reported \$155.00 in initiation fees in item 38 (dues) rather than item 40.

Conclusion/resolution of reporting problems

I am not requiring that Local Lodge 1052 file an amended LM-3 report for 2004 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

Other Issues

The audit disclosed the following other issues:

For Cases Where There Is No Authorization For Lost Wages

During the audit, I advised you that the authorization of the 8 hours of lost wages that were paid to you on a monthly basis could not be found in union records. I suggest that Local Lodge 1052 takes steps to record the authorized lost wage payments by discussing them at a future meeting and recording them in meeting minutes or some other internal document. When the authorized lost wage rates have been recorded in union records, I would appreciate if you would forward a copy of the record

documenting the authorization to me at the above address.

Failure To Document Decision To Cancel Membership Meetings

The IAM Local Lodge 1052 Bylaws, Article II, Section 1 notes: "The regular meeting shall be held on the first Thursday of each month at 4:00 p.m., except when the meeting dates falls on a generally recognized holiday in which event a substitute day of meeting may be set at the preceding meeting."

The audit revealed that Local Lodge 1052 did not hold meetings during the months of June, July, and August. It is recommended that the local lodge either amend its Bylaws to reduce the amount of annual meetings or hold a vote during the May membership meeting to cancel the June, July, and August membership meetings. Appropriate notation of such a decision should be made in the meeting minutes.

Failure To Maintain Inventory List

The audit revealed that Local Lodge 1052 did not maintain an inventory list. It is recommended that Local Lodge 1052 maintain an inventory list. An inventory list should contain the following information: asset name, date of purchase, purchase price, annual depreciation, disposal date, and disposal method.

Failure To Issue Receipts In Numerical Order

The audit revealed that Local Lodge did not always issue receipts in numerical order. It is recommended Local Lodge 1052 issue receipts in numerical order. Issuing receipts in numerical order allows trustees and other outside parties to easily verify the amount of income that is received during a specific time period.

Failure To Make Deposits In A Timely Manner

The audit revealed that Local Lodge 1052 did not deposit receipts in a timely manner. For example, dues check-off checks for the months of June, July, and August were not deposited until November. It is recommended that Local Lodge 1052 deposit all receipts on a bi-monthly basis so the local lodge does not lose out on any possible interest that can be earned.

Failure To Maintain Meeting Minutes

Meeting minutes were not taken during the following months in 2005: March, April, May, and September. As a result, there is no proof that the membership ever approved the monthly disbursements for the months of March through September. It is recommended that Local Lodge 1052 maintain minutes for all membership meetings. The minutes should always identify the time period of all disbursements that are being approved and whether or not the membership approves of such disbursements.

I want to extend my personal appreciation to Machinists Local Lodge 1052 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: James Mitchell, LLG 1052 President