U.S. Department of Labor

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April 25, 2007

Mr. Ernie Domnie, President
Machinists, AFL-CIO, Local Lodge 1115
1307 Market Street
La Crosse, WI 54601

LM File Number 040-654
Case Number: [redacted]

Dear Mr. Domnie:

This office has recently completed an audit of Machinists Local Lodge 1115 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 Secretary-Treasurer Michael Polzin on April 11, 2007, 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 Local Lodge 1115's 2005 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

   Local Lodge 1115 did not retain adequate documentation for reimbursed expenses incurred by union officers and employees totaling at least $2,900. For example, there was no documentation for some of the meeting expenses reimbursed to Vice President John Blashaski and President Larry Klukas, office supplies expenses reimbursed to Secretary-Treasurer Polzin, and some of the per diem payments to Shop Chairman Gordie Reiber, Shop Chairman Dennis Leis, Secretary-Treasurer Polzin, President Klukas, and you (the vouchers that were normally prepared to document per diem payments were missing).

   As previously 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. Lost Wages

   Local Lodge 1115 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees in at least 15 instances. The union must maintain records in support of lost wage claims that 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. The audit found that Local Lodge 1115 did not retain vouchers for some of the lost wage reimbursement payments, and some of the vouchers that were retained do not identify the date that lost wages were incurred or a clear description of the union business conducted.

   Article VIII, Section 3(d) of the union's bylaws dated June 1, 2002 states that "an itemized statement for such lost time or expenditures properly filled out and signed shall be submitted to the Executive Board and Local Lodge for examination and approval." When completed in their entirety, the vouchers used by Lodge 1115 sufficiently document the information that is required to be retained.

3. Disposition of Property

Local Lodge 1115 did not maintain an inventory of 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 items.

Based on your assurance that Local Lodge 1115 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 Local Lodge 1115 for fiscal year ending December 31, 2005 was deficient in the following areas:

1. 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 at least 95 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." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursements to Officers

Local Lodge 1115 did not include some reimbursements to officers and employees totaling at least $3,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears Lodge 1115 erroneously reported these payments in Item 48 (Office and Administrative Expense).

Lodge 1115 must report all direct disbursements to 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. 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. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

Lodge 1115 reported $5,526 in cash at the end of the reporting period, and the audit revealed that at the end of 2005, Lodge 1115 had $16,209.

4. 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. Local Lodge 1115 amended its constitution and bylaws in 2002, but did not file a copy with its LM report for that year.

Local Lodge 1115 has now filed a copy of its constitution and bylaws.

I am not requiring that Local Lodge 1115 file an amended LM report for 2005 to correct the deficient items, but Local Lodge 1115 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Machinists Local Lodge 1115 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,

[redacted]
Investigator

cc: Michael Polzin