



November 6, 2013

Mr. Danny Loudermilk, President
Machinists Lodge S7
92 Front Street
Bath, ME 04530

Case Number: 110-176770-
LM Number: 519083

Dear Mr. Loudermilk:

This office has recently completed an audit of Machinists Lodge S7 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 Secretary Treasurer Tim Moody on November 1, 2013, 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 Machinists Lodge S7's 2012 records revealed the following recordkeeping violations:

1. Lost Wages

Lodge S7 did not retain adequate documentation for lost wage payments to union officers/members totaling at least \$35,945. 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 OLMS audit found that the employer, Bath Iron Works, billed the local monthly for lost time incurred by the union officers and members. Lodge S7 did not use a lost wages and expense voucher but did retain the employer invoices as their supporting record for lost wages claimed. The employer invoices did not note the member's hourly rate of pay and the description of the union business conducted for the lost wages that the local added to the invoices was not sufficiently descriptive.

During the exit interview, I provided a sample expense voucher Lodge S7 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other expenses.

2. General Expenses

Lodge S7 did not retain adequate documentation for per diem and mileage disbursements to union officers and members totaling \$1,042. For example, a member of the negotiating committee received per diem and mileage reimbursements totaling \$462 for which there were no validating documents.

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.

Based on your assurance that Machinists Lodge S7 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 LM-3 filed by Machinists Lodge S7 for fiscal year ending December 31, 2012, was deficient in the following areas:

1. Disbursements to Officers

Lodge S7 did not include lost time salary and some allowance payments to officers totaling at least \$34,368 in the amounts reported in Item 24 (All Officers and Disbursements to

Officers). The lodge also did not include in Item 46 (To Employees), lost time paid to members conducting union business totaling at least \$1,577. It appears the union erroneously reported these payments in Item 48 (Office & Administrative Expense) or Item 54 (Other Disbursements).

The union must report most direct disbursements to Lodge S7 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. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. 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).

2. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books as reconciled 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 the bank statements. It also appears that the ending cash did not reconcile due to funds transferred from checking to savings being noted as disbursements.

3. Fixed Assets

Lodge S7 did not report the purchase of a printer and a shredder for the union office totaling \$450 in Item 52 (Purchase of Investments & Fixed Assets). It appears the lodge reported the purchases in Item 48 (Office & Administrative Expense).

Machinists Lodge S7 must file an amended Form LM-3 for fiscal year ending December 31, 2012, to correct the deficient items discussed above. I advised you that the reporting forms and instructions are available on the OLMS website (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 December 2, 2013. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to Machinists Lodge S7 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: Mr. Tim Moody, Secretary Treasurer