



October 5, 2022

Mr. Michael Carr, President
Machinists Lodge 2249
P.O. Box 249
Nicholson, MS 39463

Case Number: 420-6025125()
LM Number: 063779

Dear Mr. Carr:

This office has recently completed an audit of Machinists Lodge 2249 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, Secretary-Treasurer Damon Saul, and Recording Secretary [REDACTED] on September 29, 2022, 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 Lodge 2249's 2021 records revealed the following recordkeeping violations:

1) Meal Expenses

Lodge 2249's records of meal expenses did not include written explanations of the names and titles of the persons incurring the meal charges. For example, check number [REDACTED] was issued to Syncom Space Services for SSC Cafeteria invoices dated May 13, 2021, in the amount of \$53.50 and June 16, 2021, in the amount of \$101.12. Union records of meal expenses must

include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

The OLMS Compliance Tip, *Union Credit Card Policy*, provided during the exit interview will provide further guidance on this matter.

2) Lost Wages

Lodge 2249 did not retain adequate documentation for lost wage reimbursement payment totaling at least \$791.00. 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 Lodge 2249 retained the expense voucher; however, the voucher was not signed by the individual who claimed the lost wages, the dates lost wages were incurred was not identified, the applicable rate of pay was not identified, and supporting employer documentation was not retained.

During the exit interview, compliance tip sheet, *Union Lost Time Payments*, was provided that contained a sample of an expense voucher Lodge 2249 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 officer expenses.

3) All Receipt Dates Not Recorded with Supporting Documentation to Verify Source of Funds

The OLMS audit found that Lodge 2249 received a check reimbursement in the amount of \$350.12. Entries in Local 2249's receipts records reflect the date the union deposited the money, but not the date the money was received. Lodge 2249 also failed to retain supporting receipt documentation to verify the source of funds, such as a copy of the check received and the bank deposit slip.

Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

The OLMS Compliance Tip, *Recordkeeping for and Reporting of Receipts*, provided during the exit interview will provide further guidance on this matter.

4) All disbursements did not have supporting documentation to indicate union purpose

Lodge 2249 failed to maintain adequate supporting documentation (vouchers, vendor receipts) for disbursements totaling at least \$594. Labor organizations must retain original itemized 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.

The OLMS Compliance Tip, *Authorization and Documentation of Expenditures*, provided during the exit interview will provide further guidance on this matter.

5) All meeting minutes not maintained

Lodge 2249 failed to maintain all executive board meeting minutes for fiscal year 2021.

Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

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 Lodge 2249 for the fiscal year ended December 31, 2021, was deficient in the following areas:

1) Disbursements to Officers (LM-3)

Lodge 2249 did not include some reimbursements to officers totaling at least \$11,400 in the amounts reported in Item 24 (All Officers and Disbursements to Officers) and no deductions were reported. It appears the union erroneously reported payments in Item 46 (To Employees). On September 19, 2022, Lodge 2249 filed an amended LM-3 Report for fiscal year ended December 31, 2021, to correct this deficient item.

The union must report most direct disbursements to Lodge 2249 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).

The Compliance Tips, *Reporting Officers and Payments to Them on Form LM-3 Form LM-3 Common Reporting Errors*, provided during the exit interview will provide further guidance on this matter.

2) Item 54 (Other Disbursements)

Lodge 2249 reported its phone/internet utilities amount \$3,549.50 in Item 54, which should be reported in Item 48 (Office & Admin Expense) as advised in the LM-3 instructions.

3) Item 52 (Purchase of Investment/Fixed Assets)

The expense reimbursement to President Carr for the purchase of an office refrigerator, microwave, and extension cord should be reported in Item 52 (Purchase of Investments and Fixed Assets) and explained in Item 56 (Additional Information) per LM-3 instructions (reimbursements to an officer for the purchase of investments or fixed assets, such as reimbursing an officer for a file cabinet purchased for office use, which must be reported in Item 52)

The Compliance Tip, *Form LM-3 Common Reporting Errors*, provided during the exit interview will provide further guidance on this matter.

Other Violations

The audit disclosed the following other violation:

1) Disbursements to Officers

The OLMS audit found that it appears Lodge 2249 Secretary-Treasurer Damon Saul received a total of 13 salary payments during fiscal year 2021.

During the exit interview, Mr. Saul agreed to repay the additional \$200 salary payment he received.


It is recommended that officers' salaries be paid each month to better reconcile payments that are issued during the fiscal year.

Based on your assurance that Lodge 2249 will retain adequate documentation and correct LM reporting items in the future, OLMS will take no further enforcement action at this time regarding the above violations.

I want to extend my personal appreciation to Machinists Lodge 2249 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: Mr. Damon Saul, Secretary-Treasurer
, Recording Secretary