



December 1, 2023

Mr. James Stewart, Treasurer  
Machinists AFL-CIO Lodge 735  
1844 Air Lane Drive  
Nashville, TN 37210-3828

Case Number: 410-6025902( )  
LM Number: 022-628

Dear Mr. Stewart:

This office has recently completed an audit of Machinists AFL-CIO (IAM) Lodge 735 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, Recording Secretary John M. Worrell and IAW & AW Grand Lodge Auditor Mariaelena Fuentes on November 20, 2023, 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 735's 2022 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Lodge 735 did not retain adequate documentation for reimbursed expenses incurred by an officer totaling at least \$2,621.98. For example, one officer submitted three vouchers that did not identify the business purpose for the reimbursements.

As 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, and responsible for properly maintaining union records.

2. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$560.41 during 2022. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Lost Wages

Lodge 735 did not retain adequate documentation for lost wage reimbursement payments to union officers totaling at least \$512.26. 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 735's vouchers did not always identify the number of hours lost or the pay rate.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Lodge 735 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.

4. Disposition of Property

Lodge 735 did not maintain an inventory of hats, jackets, and other property 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 hats, jackets, and other items.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

5. Receipt Dates not Recorded

Entries in Lodge 735's bookkeeping system reflect the date the union deposited money, but not the date money was received. 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.

6. Lack of Salary Authorization

Lodge 735 did not maintain records to verify that the salaries of the recording secretary and treasurer reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 was the authorized amount and therefore was correctly reported. The union must keep a record, such as meeting minutes or other appropriate documentation to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

Based on your assurance that Lodge 735 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 Report (Form LM-3) filed by Lodge 735 for the fiscal year ended December 31, 2022, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization 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 T-shirts totaling \$60 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

Lodge 735 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union. The union must report most direct disbursements to Local 735 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).

3. 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. Lodge 735 amended its constitution and bylaws in 2022 but did not file a copy with its LM report for that year.

As agreed, Lodge 735 will file a copy of its current constitution and bylaws with OLMS as soon as possible but not later than December 11, 2023.

4. Purchase of Fixed Assets

Lodge 735 reimbursed an officer for the purchase of a union asset, but the reimbursement was reported in Item 24 (All Officers and Disbursements to Officers) instead of Item 52 (Purchase of Investments and Fixed Assets) of the LM-3 report. The LM-3 instructions states that reimbursement of fixed assets to an officer should not be reported in Item 24. The reimbursement must be reported in Item 52 (Purchase of Investments and Fixed Assets) and explained in Item 56 (Additional Information).

5. Receipts not Properly Reported

Lodge 735 improperly reported interest income totaling at least \$95.08 that it received in 2021 on its LM-3 report for fiscal year ending December 31, 2022, instead of its report for fiscal year ending December 31, 2021. Additionally, Lodge 735 failed to report on its LM-3 report fees totaling at least \$45 that it received in 2022. The fees should have been reported in Item 40 (Fees, Fines, Assessments, and Work Permits).

The LM-3 instructions state that under Statement B, receipts must be recorded when money is actually received by the labor organization. The purpose of Statement B is to

report the flow of cash in and out of your organization during the reporting period. Failure to promptly record and deposit money could result in the union reporting some receipts for a different year than when it was actually received.

Lodge 735 must file an amended Form LM-3 for the fiscal year ended December 31, 2022 to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). The amended Form LM-3 must be filed no later than December 11, 2023. Before filing, review the report thoroughly to be sure it is complete and accurate.

#### Other Issue

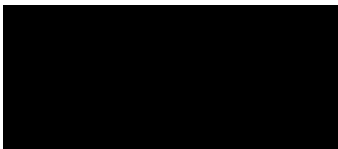
#### Per Diem and Meal Charges

Lodge 735 disbursed per diem payments that were more than what the officer was entitled to receive. For example, the officer was paid per diem for nine days instead of eight days, resulting in Lodge 735 disbursing \$74 more than what the officer should have received. In addition to paying per diem, Lodge 735 improperly reimbursed the same officer for a meal expense totaling at least \$16.91, which the individual was not entitled to receive.

Lodge 735 should ensure that all disbursements are proper and issued in the correct amounts. Additionally, Lodge 735 should carefully review all supporting documentation and implement appropriate safeguards to avoid payment of duplicate expenses.

I want to extend my personal appreciation to IAM Lodge 735 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. John Worrell M. Worrell, Recording Secretary  
Ms. Mariaelena Fuentes, IAW & AW Grand Lodge Auditor