U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
St. Louis District Office
1222 Spruce Street
Room 9 109E
St. Louis, MO 63103
(314)539-2667 Fax: (314)539-2626

February 7, 2007

Mr. Ben Rhodes, Secretary-Treasurer
Machinists AFL-CIO
Lodge 1526
1502 15th Street
Belle Plaine, IA 52208

Re: Case Number: [redacted]

Dear Mr. Rhodes:

This office has recently completed an audit of Machinists Lodge 1526 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 on January 26, 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.

The CAP 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 Machinists Lodge 1526 for fiscal year ending December 31, 2005 was deficient in the following areas:

- Item 25(a) (b) – Beginning and Ending Cash did not appear accurate.

- Item 29(b) – Fixed Assets did not reflect the amount of $2,892 that was reported in Item 52 – Purchase of Investments & Fixed Assets.

- Item 41 – Interest & Dividends was not accurate and did not report the total amount of receipts earned from interest/dividends earned from savings accounts and certificates of deposit.

- Item 49 – Professional Fees incorrectly included payments made to the IRS for penalties. These payments should have been included in Item 54 – Other Disbursements. Item 49 - Professional Fees is where your organization should report disbursements for legal/professional services such as auditing, arbitration, consultants, etc.

I am not requiring that Machinists Lodge 1526 file an amended LM report for 2005 to correct the deficient items, but as agreed, Machinists Lodge 1526 will properly report the deficient items on all future reports filed with this agency.

The CAP disclosed a violation of LMRDA Section 206 which 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. The audit of Machinists Lodge 1526 records revealed the following recordkeeping violations:

- Minutes for executive board meetings were not retained. These records are required to be maintained for at least five years for verification of authorized expenditures.

- Bank statements and check images for the entire audit year covered were not available.

- Disbursements/receipts ledger for audit year was not complete regarding Strike Fund [redacted] The ledger did not contain an accurate opening balance and did not have record of all fund transfers from the general fund.

- Some disbursements did not have sufficient back-up documentation. Specifically, disbursements for the donation to the Machinists Non-Partisan League and the U.S. Post Office for purchase of a mailing permit had inadequate back-up documentation.

- Specific authorization for purchases, such as the watches for retirees, should be included in the membership meeting minutes.

- Documentation/duplicate receipts should be maintained for cash receipts received at monthly membership meetings for ongoing raffle drawings.

As agreed, provided that Machinists Lodge 1526 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding this violation.

I want to extend my personal appreciation to Machinists Lodge 1526 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