

**U.S. Department of Labor**

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September 16, 2008

Mr. Bryan Burleson, President  
Machinists AFL-CIO  
Local 2249  
Building 2204  
Stennis Space Center, MS 39529

LM File Number 063-779  
Case Number: [REDACTED]

Dear Mr. Burleson:

This office has recently completed an audit of Machinists Local 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 Rhonda Adcox, and Vice President Michael Carr on August 27, 2008, 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 2249's 2007 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

Local 2249 did not record in its receipts records the interest earned on checking account #14084500 and the interest earned on the 13 certificates of deposit purchased in October 2007 totaling at least \$766.50. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

2. Receipt Dates not Recorded

Entries in Local 2249's receipts book did not reflect the date the union received some of the check off payments from employers. 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 on the LM-3 annual financial report. 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.

3. Lost Wages

Local 2249 did not retain adequate documentation for lost wage reimbursement payments to union officers and stewards totaling at least \$1368.77. 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 Local 2249 officers did not identify on some of the lost wage vouchers the date lost wages were incurred, the number of hours lost on each date, and the

applicable rate of pay. Back up documents were also not provided for all lost wage vouchers.

During the exit interview, I provided a sample of an expense voucher Local 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.

Based on your assurance that Local 2249 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 2249 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Interest Earned

Local 2249 did not include the interest earned on checking account #14084500 and the interest earned on their 13 certificates of deposit in Item #41 (Interest and Dividends). The LM-3 instructions state that the union should enter the amount of interest and dividends received by the organization from savings accounts, bonds, mortgages, loans, investments, and all other sources.

2. Fidelity Bond

Local 2249 reported an incorrect amount recoverable for a loss in Item 20. The amount reported in Item 20 was \$100,000. The audit revealed that during 2007, Local 2249 was covered by a fidelity bond in the amount of \$27,000. The LM-3 instructions for Item 20 state that the union should enter the maximum amount recoverable for a loss caused by any officer, employee, or agent of their organization who handled the organization's funds.

I am not requiring that Local 2249 file an amended LM report for 2007 to correct the deficient items, but Local 2249 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Violation

The audit disclosed the following other violation:

##### Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that Local 2249's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

#### Other Issue

##### Duplicate Receipts

A retired member of Local 2249 pays his dues directly to the union. The secretary treasurer records dues payments in the union's receipts journal and in their receipt book, but she does not issue receipts to the dues payer. OLMS recommends that Local 2249 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. Duplicate receipts should be filled out completely including the receipt date, amount received, who funds were received from, as well as any other relevant information identifying the purpose of the receipt. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

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I want to extend my personal appreciation to Machinists Local 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: Rhonda Adcox, Secretary Treasurer  
Michael Carr, Vice President