

U.S. Department of Labor

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May 8, 2009

Mr. Michael Mellow, Secretary-Treasurer
Machinists AFL-CIO Lodge 1584
8130 Baldwin Street
Oakland, CA 94621

LM File Number: 538-110
Case Number: [REDACTED]

Dear Mr. Mellow:

This office has recently completed an audit of Int'l Association of Machinists and Aerospace Workers, Lodge 1584 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 Grand Lodge Auditor Greg Masztal on April 30, 2009, 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 1584's 2008 records revealed the following recordkeeping violation:

Meal Expenses

Lodge 1584 did not require officers and employees to submit itemized receipts for meal expenses. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Lodge 1584 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, the March 10, 2008 reimbursement to Michael Mellow for the March 6, 2008 audit committee dinner included neither a list of who was present, nor an explanation concerning how the dinner was union-related in nature. 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.

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 1584 for fiscal year ending December 31, 2008, was deficient in the following area:

Correction to Fixed Assets

An unexplained adjustment of \$18,960 was made to the union's fixed assets on Lodge 1584's 2008 LM report, but no explanation for this adjustment was provided. Adjustments correcting previous reporting errors must always be explained in the area for additional information, item 56 of the LM report.

I am not requiring that Lodge 1584 file an amended LM-3 report for 2008 to correct the deficient items, but Lodge 1584 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Int'l Association of Machinists and Aerospace Workers, Lodge 1584 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. Allen Turner, President, Lodge 1584
Mr. Greg Masztal, Grand Lodge Auditor