



January 29, 2014

Mr. Ricardo Cervantes, Secretary Treasurer  
Machinist Lodge 2208  
PO Box 543111  
Dallas, TX 75354-3111

Case Number: 420-4214177  
LM Number: 006932

Dear Mr. Cervantes:

This office has recently completed an audit of Machinist Lodge 2208 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, President John Knowles and Recording Secretary Morgan Gibbens on January 3, 2014, 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 Lodge 2208's 2012 records revealed the following recordkeeping violations:

1. Missing Receipts and Vouchers

The local lodge failed to maintain receipts and vouchers to support multiple payments and disbursements. The entire disbursements folders for the months of July 2012 through December 2012 were incomplete.

The local lodge is required to retain all original receipts, bills, and vouchers for all disbursements. You stated that all vouchers and supporting documents to support payments will be maintained.

## 2. Errors in General Ledger

The general ledger contained multiple entry mistakes. Two disbursements in the amounts of \$237.43 and \$26.03 and one receipt in the amount of \$132.06 were erroneously entered twice in the general ledger.

The local lodge is required to maintain accurate records of all disbursements and receipts. You stated that the general ledger will be completed accurately.

Based on your assurance that Local Lodge 2208 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 Lodge 2208 for the fiscal year ended December 31, 2012 was deficient in the following areas:

#### 1. Delinquent Report

The local lodge's LM-3 report for fiscal year ending December 31, 2012 was not filed by the required filing date of March 31, 2013.

Local Lodge 2208 has now filed its LM-3 for fiscal year ending December 31, 2012.

#### 2. 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 2208 amended its constitution and bylaws in 2005, but did not file a copy with its LM report for that year.

Local Lodge 2208 has now filed a copy of its constitution and bylaws.

Based upon your assurance that Local Lodge 2208 will file future LM-3 reports by the required filing date and file revised bylaws with its LM-3 report, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issue

Use of Personal Credit Card

You made multiple union disbursements totaling at least \$7,223.76 using your personal credit card and requested reimbursement from the union. You were informed that any benefits from the credit card company obtained from union purchases belong to the union. Also, all officer reimbursements must be reported under their names on the LM-3 reports.

You stated that when possible, the local lodge will make union disbursements using the union's checking account.

I want to extend my personal appreciation to Machinist Lodge 2208 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 Knowles, President  
Mr. Morgan Gibbens, Recording Secretary