



February 25, 2016

Mr. Chris Paluch, Secretary Treasurer
Machinists Local Lodge 1180
3331 Zoeller Road
Alden, NY 14004

Case Number: 110-6005757
LM Number: 011245

Dear Mr. Paluch:

This office has recently completed an audit of Machinists Local Lodge 1180 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 President Rick Dahn, Grand Lodge Auditor Patrick Smutney, Business Representative Peter Cooney, and you on February 16, 2016, 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 1180's 2014 records revealed the following recordkeeping violations:

1. General Disbursements

Local Lodge 1180 did not retain adequate documentation for numerous disbursements throughout the period. For example, several bills were not retained for payments to

Verizon. In addition, payments by check to the Elks Lodge for halls rentals and picnic related expenses, were not accompanied with supporting documentation including receipts

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, are responsible for properly maintaining union records.

2. General Reimbursed Expenses and Meal Expenses

Local Lodge 1180 did not retain adequate documentation for reimbursed expenses and meal expenses incurred by union officers and employees totaling at least \$3,974. For example, former President [REDACTED] received \$320.88 in reimbursed expenses for a negotiation lunch and mileage without any supporting documentation. In addition, payments were made to [REDACTED] for contract negotiation lunches in which no itemized receipts were maintained. Some reimbursed expenses did not have any supporting documentation.

Labor organizations must retain original receipts, bills, and vouchers for all disbursements, including those reimbursed to officers and employees. The union must also 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.

Local Lodge 1180's 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. 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.

3. Reimbursed Auto Expenses

Union officers and employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them. For example, reimbursed mileage was paid to [REDACTED] for \$122.80 with check number [REDACTED] without any documentation. Also, many times although a voucher was prepared for mileage reimbursement, the voucher was incomplete and did not include the locations traveled or the purpose for such reimbursement.

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.

4. Lost Wages

Lodge 1180 did not retain adequate documentation for lost wage reimbursement payments to union officers and employees totaling at least \$2,081. 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 1180 did not meet the requirements in that dates or number of hours were not recorded, and officers did not identify the union business conducted on some of the vouchers. In other instances, no vouchers were retained at all for the reimbursement.

During the exit interview, I explained the required information to be included on the voucher and provided examples which support the type of information and documentation that the local must maintain for lost wages and other officer expenses.

5. Receipt Records

Local Lodge 1180 did not record in its receipt records information regarding several non-dues deposits to the bank during the period. For example, a deposit was made on June 27, 2014 for \$1,930 in which no details were retained regarding such deposit. 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.

Based on your assurance that Lodge 1180 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 1180 for the fiscal year ended December 31, 2014, was deficient in the following areas:

1. Disbursements to Officers

Local Lodge 1180 did not include all gross salary and other reimbursements to officers in the amounts reported Item 24 (All Officers and Disbursements to Officers), Columns D & E. It appears the union erroneously reported elsewhere on the form. For example, all reimbursed expenses for meals incurred by former President [REDACTED], were not included next to his name in Column E (Allowances and Other Disbursements).

The union must report most direct disbursements to Local Lodge 1180 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).

2. Failure to Categorize Disbursements

Local Lodge 1180 did not properly report cash disbursements in Items 45 to 54 on Statement B (Cash Disbursements). The union did not report all gifts purchased for members totaling at least \$4,800 in Item 51 (Contributions, Gifts, and Grants) and rather reported these disbursements elsewhere on the form. In addition, Local Lodge 1180 purchased a fixed asset during the period which was not reported in Item 52 (Purchase of Investments and Fixed Assets).

I am not requiring that Local Lodge 1180 file an amended LM report for 2014 to correct the deficient items, but Local Lodge 1180 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Machinists Local Lodge 1180 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,



Supervisory Investigator

cc: Mr. Rick Dahn, President
Mr. Patrick Smutney, Grand Lodge Auditor