

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Boston District Office
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September 17, 2007

Mr. John Powers, President
Machinist, AFL-CIO
Local Lodge 1726
930 Saratoga Street
East Boston, MA., 02128

LM File Number 048-393

Case Number: [REDACTED]

Dear Mr. Powers:

This office has recently completed an audit of Machinist Local Lodge 1726 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 Michael Gonzales and Karen Griffith on September 4, 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 recordkeeping and reporting violations.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 note can be

written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Lodge 1726's records revealed the following recordkeeping violations:

1. Backup documentation:

The audit for the fiscal year ended 12/31/2006 disclosed a number of instances wherein the union failed to retain the backup documentation to support a check disbursement. Though the omissions were isolated events, it is nevertheless important that the union keep all store receipts to substantiate the nature and the amount of the transactions.

2. Lost time:

Some vouchers submitted by union personnel for lost wages did not identify with sufficient specificity the union business that was conducted. Explanations such as "performing recording-secretary duties" were vague. The lost wage claims must 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.

Reporting Violations

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 Local Lodge 1726 for fiscal year ending December 31, 2006, was deficient in that the lodge reported incorrect totals for beginning and ending cash, accounts payable, and disbursements. The lodge wrote and recorded a number of checks in December of 2005 and 2006. To avoid overdrawing the checking account, the lodge, however, delayed mailing some of these payments until the following year. These checks that were held back are payments assigned to the year they were mailed, not written. They are not outstanding checks. As consequence, the bills associated with these checks are accounts payable, as they were not paid until the following year. This redistribution of payments also affects the total of 2006 disbursements.

You must file an amended Form LM-3 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than October 15, 2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

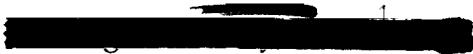
The audit disclosed the following other issues:

Voids:

The union failed to identify voided checks. This oversight can adversely affect the accuracy of your lodge's financial reports. Please, in the future, clearly label the voided checks.

I want to extend my personal appreciation to Machinist Local Lodge 1726 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: Karen Griffith, Treasurer
Michael Gonzales, Auditor