



August 10, 2020

Ms. Valaree Moczygemba, President
Machinists Local Lodge 2340
[REDACTED]

Case Number: 420-6018089 [REDACTED]
LM Number: 538089

Dear Ms. Moczygemba:

This office has recently completed an audit of Machinists Local Lodge 2340 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 Secretary-Treasurer Andrew Espinosa on August 7, 2020, 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 Violation

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 2340's 2019 records revealed the following recordkeeping violation:

Failure to Maintain Complete Records of Summer Social Event

Local Lodge 2340 failed to maintain complete records of their social summer event. Local Lodge 2340 accepted monetary donations from members to help fund the event, but failed to keep any records of how much was raised or how it was spent. There were unexplained discrepancies regarding the supporting documentation of the event. For example, the event took place in August 2019, but Chief Steward Andrew Espinosa was reimbursed \$1,250 for the event in December 2019. Also, the expenses of the event were paid for by both Recording Secretary Valaree Moczygemba and Chief Steward Espinosa, but the reimbursement check was written to Espinosa.

All funds, including special purpose funds, are considered union funds, even if they are not part of the union's general treasury, and records of such funds must be maintained.

Based on your assurance that Local Lodge 2340 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 LM-3 filed by Local Lodge 2340 for the fiscal year ended December 31, 2019, was deficient in the following areas:

1. Disbursements to Officers

Local Lodge 2340 did not include some reimbursements to officers totaling at least \$7,227 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 Other Disbursements.

The union must report most direct disbursements to Local Lodge 2340 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. Beginning and Ending Balances

Local Lodge 2340 failed to report the correct beginning balance as of January 1, 2019 and ending balance as of December 31, 2019 in Items 25A & 25B.

3. Receipts

Local Lodge 2340 mistakenly reported \$0 in Item 38 Dues and \$18,956 in Item 39 Per Capita Tax. Local Lodge 2340 received \$17,505.60 in dues, \$0 in per capita tax, and a \$1,250 donation from the Grand Lodge for the summer social. Local Lodge 2340 also received other donations for the summer social that they failed to report on their LM-3 report. Local Lodge 2340 should have reported all dues income in Item 38 Dues and all donations in Item 43 Other Receipts.

Local Lodge 2340 made two adjusting entries in their QuickBooks records “returning two checks to cash” totaling \$461.60 (check [REDACTED] \$250 & check [REDACTED] \$211.60). Local Lodge 2340 mistakenly reported the \$461.60 in adjusting entries in Item 43 Other Receipts on their 2019 LM-3 report. Local Lodge 2340 should only report actual income as receipts, not adjusting entries.

4. Professional Fees

Local Lodge 2340 mistakenly reported reimbursement payments made to International Business Representative Joe Alviar in Item 49 Professional Fees. Payments made to companies outside of your organization for professional services such as legal services, accounting services, etc. would be reported in Item 49. Reimbursement payments made to Alviar should have been reported in Item 48 Office and Administrative Expenses.

5. District Payments

Payments made to District Lodge 776 reimbursing them for expenses they paid on behalf of Local Lodge 2340 were mistakenly reported in Item 54 Other Disbursements. Local Lodge 2340 should have reported those payments in Item 48 Office and Administrative Expenses because they were necessary expenses to conduct union business.

Local Lodge 2340 must file an amended Form LM-3 for the fiscal year ended December 31, 2019, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-3 must be filed no later than **September 9, 2020**. Before filing, review the report thoroughly to be sure it is complete and accurate

Other Issue

Expenditures Exceeding Income

From 2017 to 2019, Local Lodge 2340's expenditures have exceeded their income. OLMS recommends creating a budget to prevent Lodge 2340's disbursements being greater than their receipts.

I want to extend my personal appreciation to Machinists Local Lodge 2340 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,



Senior Investigator

cc: Mr. Andrew Espinosa, Secretary-Treasurer
Mr. Thomas Maflin, Former Secretary-Treasurer
Mr. Earnest Boone, District 776 Treasurer