



December 17, 2020

Mr. Robert Bailey Jr., Secretary-Treasurer
Machinists Lodge 1999
P.O. Box 202
Lufkin, TX 75902

Case Number: 420-6018268
LM Number: 014763

Dear Mr. Bailey Jr.:

This office has recently completed an audit of Machinists Lodge 1999 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 Alejandro Castrillo on November 17, 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.

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-4 filed by Lodge 1999 for the fiscal year ended December 31, 2019, was deficient in the following areas:

1. Total Receipts

Lodge 1999 failed to report the total receipts paid to your organization during the reporting period in Item 16. It appears Lodge 1999 entered the wrong amount of interest from their CD for June 2019 in their internal software, resulting in Lodge 1999 slightly underreporting their total receipts by \$18 in Item 16.

2. Total Disbursements

Lodge 1999 failed to report the total disbursements made by your organization during the reporting period in Item 17. Lodge 1999 mistakenly reported only \$10,025 total disbursements when they actually spent \$21,213 in 2019. The union must include the total of all disbursements in Item 17.

3. Disbursements to Officers

Lodge 1999 did not include some payments to officers totaling at least \$12,057 in the amounts reported Item 18 (Total Payments to Officers & Employees). It appears the

union erroneously failed to report the total amount paid to officers including salary, lost wages, and reimbursements.

The union must report most direct disbursements to Lodge 1999 officers and some indirect disbursements made on behalf of its officers in Item 18 (Total Payments to Officers & Employees). 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. 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 17 (Total Disbursements).

4. 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 1999 amended its constitution and bylaws in 2013, but did not file a copy with its LM report that year.

Lodge 1999 has now filed a copy of its constitution and bylaws.

On November 18, 2020, Lodge 1999 filed an acceptable amended LM-4 for the fiscal year ended December 31, 2019.

Other Violation

Overpaid Lost Wages

The pay rates President Wendell Sowell, Chief Steward Kerroy Thomas, and Trustee Wendell Turner Jr. claimed were slightly different than their employer hourly rate resulting in slight underpayments or overpayments.

On January 8, 2019, April 9, 2019, May 14, 2019, June 11, 2019, July 18, 2019, September 10, 2019, and November 12, 2019, President Sowell claimed 2 hours of lost time when he lost less than 2 hours from work resulting in an overpayment of 4.85 hours.

In order to prevent future incorrect lost wage payments, OLMS recommends that union officers/representatives start turning in time and attendance records from their employer with their lost time vouchers that confirm their pay rate and the time they lost from work.

Other Issue

Expenditures Exceeding Income

From 2016 to 2019, Lodge 1999's expenditures exceeded their income. OLMS recommends creating a budget with total estimated expenditures less than Lodge 1999's prior year's dues income. Further, in 2019, the majority of Lodge 1999's income (almost 57%) was paid to officers (salary, lost wages, and reimbursements). OLMS recommends spending less money than the amount of dues coming in, and evaluating and possibly reducing expenses, such as how much is paid to officers, to ensure Lodge 1999 can fulfill its obligations to the membership.

I want to extend my personal appreciation to Machinists Lodge 1999 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. Wendell Sowell, President
Mr. Alejandro Castrillo, Grand Lodge Auditor