



July 2, 2021

Scott Zessin, Secretary Treasurer  
MACHINISTS AFL-CIO LG 1338  
11137 W Marlowe Ave, Unit 11  
Littleton, CO 80127

Case Number: 510-6020929 [REDACTED]  
LM Number: 035535

Dear Scott Zessin:

This office has recently completed an audit of MACHINISTS AFL-CIO LG 1338 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 on May 21, 2021 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-3) filed by Lodge 1338 for the fiscal year ended December 31, 2020, was deficient in the following areas:

1. Disbursements to Officers

Lodge 1338 did not include some reimbursements to officers totaling at least \$657.86 in Column E (Allowances and Other Disbursements) in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48, Office and Administrative Expense.

The union must report most direct disbursements to Lodge 1338 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. Investments Reported as Cash

Lodge 1338 improperly included the value of investment accounts as cash in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers mutual funds to be investments. The balances of these accounts should be reported in Statement A, Item 28 (Investments).

I am not requiring that Lodge 1338 file an amended LM report for 2020 to correct the deficient items, but Lodge 1338 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violations

The audit disclosed the following other violation(s):

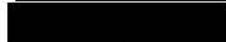
1. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

Lodge 1338's officers and employees are currently bonded for \$22,000, but they must be bonded for at least \$22,619. Lodge 1338 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than July 30, 2021.

I want to extend my personal appreciation to Machinists Lodge 1338 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. Dennis Desormeaux, President