



April 10, 2024

Mr. Kurt Burkhardt, Treasurer
Machinists AFL-CIO
Lodge 1746
357 Main Street
East Hartford, CT 06118

Case Number: 110-6027666 [REDACTED]
LM Number: 017075

Dear Mr. Burkhardt:

This office has recently completed an audit of Machinists (IAM) Lodge 1746 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 April 5, 2024, 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 Lodge 1746's 2022 records revealed the following recordkeeping violations:

1. Lost Wages

Lodge 1746 did not retain adequate documentation for lost wage reimbursement payments to union officers in at least three instances. 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 1746 did not consistently identify on all lost wage vouchers the specific union business conducted.

2. Sale of Union Property/Receipt Dates Not Recorded

Lodge 1746 did not record in its receipts records adequate detail to support receipts from the sale of union hats, shirts, and other items. For example, there was no supporting documentation for a \$455 deposit made on August 1, 2022, or a \$560 deposit made on October 18, 2022, attributed to the sale of clothing and supplies. The union must record in at least one record the date and amount received from each individual sale of union hats, shirts, and other items.

In addition, entries in Lodge 1746's receipts journal reflect the date the union deposited money from the sale of union property, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The LM-2 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

Based on your assurance that Lodge 1746 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-2) filed by Lodge 1746 for the fiscal year ended December 31, 2022, was deficient in the following areas:

1. Disbursements to Officers and Employees (LM-2)

Lodge 1746 improperly reported some reimbursements to officers in Schedule 11, Column D (Gross Salary), when these reimbursements should be reported in Schedule 11, Column F (Disbursements for Official Business)

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in

Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

2. Failure to Itemize Disbursement (LM-2)

Lodge 1746 did not properly report a major transaction in Schedule 18. A “major” transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. The audit found that the union made a disbursement of \$16,013 to IAM Lodge 354 on February 14, 2022, which was not included as a separate payor on the itemization pages.

3. Failure to Report Subsidiary Organizations

Lodge 1746 did not report the Machinist Club and the IAM 1746 building corporation as subsidiary organizations in Item 10 as defined in Section X of the LM-2 instructions, which requires a labor organization to report financial information for each of its subsidiary organizations using one of the following methods:

Method (1) — Consolidate the financial information for the subsidiary organization(s) and the labor organization on a single Form LM-2.

Method (2) — File, with the labor organization’s Form LM-2, the regular annual report of the financial condition and operations of the subsidiary organization, accompanied by a statement signed by an independent public accountant certifying that the financial report presents fairly the financial condition and operations of the subsidiary organization and was prepared in accordance with generally accepted accounting principles. Financial information reported separately for subsidiary organizations under this method must include the name of the subsidiary organization and the name and file number of the labor organization as shown on its Form LM-2. The financial report of the subsidiary organization must cover the same reporting period as that used by the reporting labor organization. When method (2) is used and the subsidiary organization is an investment, the financial interest of the reporting labor organization in the subsidiary organization must be reported in Item 26 (Investments) and in Schedule 5 (Investments) of the labor organizations Form LM-2.

4. Fidelity Bond

Lodge 1746 did not properly report the maximum amount recoverable for a loss under their fidelity bond in Item 14 (Fidelity Bond). The audit disclosed that the lodge was bonded for \$164,000, but Item 14 indicated that the lodge was only bonded for \$122,000.

I am not requiring that Lodge 1746 file an amended LM report for 2022 to correct the deficient items, but Lodge 1746 has agreed to properly report the deficient items on all future reports it files with OLMS, beginning with 2023. Since Lodge 1746 has already file their Form LM-2 for fiscal year ended December 31, 2023, and the subsidiary organizations were not disclosed on that report, Lodge 1746 must file an amended Form LM-2 for that year to include the subsidiary organizations and correct any 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-2 must be filed no later than May 10, 2024. Before filing, review the report thoroughly to be sure it is complete and accurate.

I want to extend my personal appreciation to IAM Lodge 1746 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. Michael Gonzales, Grand Lodge Auditor
Mr. Howard Huestis, President