

U.S. Department of Labor

Employment Standards Administration
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June 6, 2008

Mr. Bryson Saul, Secretary-Treasurer
Machinists, AFL-CIO, Local Lodge 598
321 5th Avenue
South Charleston, WV 25303-1224

LM File Number 062-602
Case Number: [REDACTED]

Dear Mr. Saul:

This office has recently completed an audit of Machinists Local Lodge 598 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 Grand Lodge auditor Jack Hecker on April 18, 2008, the following problems were disclosed during the audit. 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 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, 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 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 must for all accounts.

The audit of Local Lodge 598's 2007 records revealed the following recordkeeping violation:

Failure to Maintain Back-up Documentation

Local Lodge 598 did not retain adequate documentation for the settlement paid to [REDACTED] in the amount of \$10,000. The Local Lodge did not maintain any documentation for this disbursement. The Local Lodge did not maintain adequate records of its \$250 petty cash fund.

Based on the assurance of Grand Lodge auditor Jack Hecker that Local 598 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issue

Audit Committee

During the audit, you advised that the Lodge has no audit committee and that you conduct all audits of the records that you maintain for the lodge. An audit Committee is an effective internal control to ensure proper handling of union funds. It is recommended that the Lodge set up an audit committee to do all future audits.

I want to extend my personal appreciation to Machinists Local Lodge 598 and especially to Grand Lodge auditor, Jack Hecker, 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,

[REDACTED]
Investigator

Cc: Jack Hecker, Grand Lodge Auditor