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June 13,2008

Mr. Russell Paszko, Secretary-Treasurer
Machinist Local Lodge 755
590 Parkway
Chula Vista, CA 92010

LM File Number: 035-942
Case Number: [REDACTED]

Mr. Russell Paszko

This office has recently completed an audit of Machinist Local Lodge 755 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, Juanita Rivera, Virginia Cobb, and Angela Brunetto on May 1,2008, 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 Local Lodge 755 for fiscal year ending December 31,2006, was deficient in the following area:

Local Lodge 755 failed to properly report reimbursements paid to District Lodge 725 for the allowances, lost time and other direct disbursements paid by the District to the officers on behalf of Local 755. These payments were erroneously included and reported as other disbursements in Item 54.

The union must report the amount it reimburses District Lodge 725 for each officer on Schedule 24 by each officer's name with an explanation in Item 56 (Additional Information). The explanation should state that the salaries, allowances, and other disbursements to the local's officers were paid by reimbursing the District. Concurrently, District Lodge 725 should reports its disbursements to the local's officers as General Overhead expenditures with a notation in the purpose column that the disbursements were payments reimbursable by Lodge 755.

All other direct and indirect disbursements to the officers disbursed directly by the Local Lodge should also be included 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. An "indirect disbursement" to an officer is a payment to another party (including credit card companies) 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).

Local Lodge 755 must file an amended Form LM-3 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. I am providing you with a blank form and instructions, and discussed with you the availability of the reporting forms and instructions on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than June 30, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

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 handled by those individuals or their predecessors during the preceding fiscal year. Local Lodge 755 officers and employees are currently bonded for \$212,000 but they must be bonded for at least \$213,631.

Local Lodge 755 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained, but not later than June 27, 2008.

I want to extend my personal appreciation to Machinist Local Lodge 755 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,

Alan Weiss
District Director

cc: Ms. Juanita Rivera, Executive Assistant