



September 6, 2013

Mr. Jerry Van Hale, President  
Machinists AFL-CIO Local Lodge 33  
509 Third Street  
International Falls, MN 56649

Case Number: 330-08872 [REDACTED]  
LM Number: 531734

Dear Mr. Van Hale:

This office has recently completed an audit of Machinists AFL-CIO Local Lodge 33 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 Secretary-Treasurer Joseph Schwartz and Grand Lodge Auditor Rick Fischer on September 6, 2013 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 Local Lodge 33's 2012 records revealed the following recordkeeping violation:

## Reimbursed Expenses

Local Lodge 33 did not retain adequate documentation for a reimbursed expense paid to Treasurer Schwartz totaling at least \$259.59. As an example, Treasurer Schwartz submitted a voucher to International Association of Machinists (IAM) District Lodge W3 for per diem and mileage when he took a trip from International Falls, MN to Thief River, MN, but he did not indicate what union business was conducted on the voucher. In the case of reimbursed travel expenses such as per diem and mileage, records must be retained that identify the dates of travel, the locations traveled to and from, and the union business purpose of the trip.

Based on your assurance that Local Lodge 33 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers) of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

## 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 (LM-3) filed by Local Lodge 33 for the fiscal year ended December 31, 2012 was deficient in the following areas:

### 1. Amount of Fidelity Bond (Item 21)

Local Lodge 33 reported that the maximum amount recoverable under your organizations fidelity bond for a loss caused by any officer or employee was \$30,000. However, a review Local Lodge 33's records revealed the fidelity bond is in the amount of \$21,000.

### 2. Receipts and Disbursements by IAM District Lodge W3 on Behalf of Local Lodge 33

During the audit Treasurer Schwartz advised that District Lodge W3 collects all dues on behalf of Local Lodge 33 and the district lodge retains the local lodge's portion of dues. The district lodge acts as an agent on the local lodge's behalf by disbursing funds to pay some of the local lodge's bills including officer and employee salaries, lost wages and reimbursed expenses. However, the local lodge did not report its portion of dues collected by the District Lodge W3 that was disbursed on its behalf in Item 38 (Dues) and did not report any of the disbursements that the district lodge made on behalf of Local Lodge 33 in Item 24 (All Officers and Disbursements to Officers), Item 45 (Disbursements to Officers from Item 24), Item 46 (Disbursements to Employees), Item 48 (Office and Administrative Expenses), or Item 49 (Professional Fees) on the LM-3 report. Records provided during the audit by District Lodge W3 show that at least \$35,349 was collected on behalf of the local lodge for

dues and that nearly all of that amount was disbursed by the district lodge to pay for Local 33's bills

The LM-3 instructions state that, "receipts and disbursements on behalf of your organization are considered receipts and disbursements of your organization and must be reported in the same detail as other receipts and disbursements. For example, if a parent body receives a local's dues and makes disbursements from that money for the local to pay the local's bills, those receipts and disbursements must be included on the local's report. If a parent body receives dues checkoff directly from an employer on behalf of organization, do not report in Item 38 (Dues) the portion retained by the organization for per capita tax or other purposes such as a special assessment."

### 3. 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. Local Lodge amended its constitution and bylaws in 2000, but did not file a copy with its LM report for that year. A copy was provided during the audit and has now been filed.

Local Lodge 33 must file an amended Form LM-3 for the fiscal year ended December 31, 2012, to correct the deficient items discussed above. I encourage Local Lodge 33 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than September 23, 2013 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

I want to extend my personal appreciation to Machinists AFL-CIO Local Lodge 33 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. Joseph Schwartz, Secretary-Treasurer  
Mr. Rick Fischer, Grand Lodge Auditor