



December 15, 2017

Mr. Randy Kirschstein, Treasurer  
Machinists LLG 2189  
[REDACTED]  
Hooks, TX 75561

Case Number: 420-6011993 [REDACTED]  
LM Number: 541224

Dear Mr. Kirschstein:

This office has recently completed an audit of Machinists Local Lodge (LLG) 2189 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, President Michael Connell, Vice President [REDACTED], Recording Secretary Dean Christensen, Trustee [REDACTED], Trustee Jesse Page, Trustee [REDACTED], Conductor [REDACTED], Grand Lodge Auditor [REDACTED] on November 14, 2017, 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 LLG 2189's 2016 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

LLG 2189 did not retain adequate documentation for reimbursed expenses incurred by

Penny Kos Williams, Christian Casteel, and Eduards Madkins totaling at least \$7,592.50. For example, many of the union's records for expenses only contained the Bookworks voucher. The union agreed to maintain all supporting documents and maintain adequate records.

## 2. Gifts and Contributions

LLG 2189 did not maintain all supporting documents including receipts, vouchers, and statements for charitable donations and an inventory or similar record of items, such as t-shirts and caps. The union agreed to maintain all supporting documents and keep adequate records.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements which includes general reimbursed expenses, gifts, and contributions. 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.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file LLG 2189's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

### 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 LLG 2189 for the fiscal year ended December 31, 2016, was deficient in the following areas:

#### 1. Disbursements to Officers

LLG 2189 did not include some reimbursements to officers totaling at least \$1,549.00 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54.

The union must report most direct disbursements to LLG 2189 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. 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. LLG 2189 amended its constitution and bylaws in 2011, but did not file a copy with its LM report for that year.

LLG 2189 has now filed a copy of its constitution and bylaws.

I am not requiring that LLG 2189 file an amended LM report for 2016 to correct the deficient items, but LLG 2189 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to Machinists LLG 2189 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: Michael Connell, President  
[REDACTED], Vice President  
Dean Christensen, Record Secretary  
[REDACTED], Trustee  
[REDACTED], Trustee  
Jesse Page, Trustee  
[REDACTED], Conductor  
[REDACTED] Grand Lodge Auditor