



June 22, 2017

Ms. Vickie Kroft, Secretary-Treasurer  
Machinists Local Lodge 2948

Case Number: 140-6010126  
LM Number: 545156

Dear Ms. Kroft:

This office has recently completed an audit of Machinists Local Lodge 2948 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 and Machinists Grand Lodge Auditor Patrick Smutney on June 9, 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 Local Lodge 2948's 2016 records revealed the following recordkeeping violations:

#### 1. Disposition of Property

Local Lodge 2948 did not maintain an inventory of t-shirts, gift cards, and prizes for the annual feed it purchased and gave away. The union must report the value of any union

property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. The union must retain records that identify the date the items were given away and the recipients of those items.

2. Information not Recorded in Meeting Minutes

During the audit, Ms. Kroft advised OLMS that the membership authorized all local lodge disbursements, except officer salaries, at monthly membership meetings. The local lodge did not hold membership meetings in July, August, October, and December 2016. Disbursements that should have been approved by membership and totaling \$7,740.22 were made during these four months. Also, meeting minutes did not contain approval of expenditures for the District 98 Casino Social, annual feed, or Christmas gift cards. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings. Please review compliance tip sheet, *Authorization and Documentation of Expenditures*, which can be found on the OLMS website ([www.dol.gov/olms](http://www.dol.gov/olms)).

Based on your assurance that Local Lodge 2948 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 2948 for the fiscal year ended December 31, 2016, was deficient in that:

Acquire/Dispose of Property

Item 13 [LM-3] (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away t-shirts, gift cards, and prizes during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

I am not requiring that Local Lodge 2948 file an amended LM report for 2016 to correct the deficient items, but Local Lodge 2948 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local Lodge 2948 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement. For example, during the opening interview, Ms. Kroft stated the local did not pay expenses incurred by spouses and other individuals who were not officers or employees of the union; however, the records revealed the local lodge paid expenses for spouses and other individuals on at least two occasions. In order to avoid confusion concerning the local lodge's expense policy, OLMS recommends that the local lodge adopt written guidelines concerning such matters. OLMS compliance tip sheet, *Reimbursed Travel Expense Payments*, which can be found on the OLMS website, may be used to assist the local lodge in writing an expense policy.

2. Lost Time Policy

As I discussed during the exit interview with you, the audit revealed that Local Lodge 2948 does not have a clear lost time policy. OLMS recommends that unions adopt written guidelines concerning such matters. OLMS compliance tip sheet, *Union Lost Time Payments*, which can be found on the OLMS website, may be used to assist the local lodge in writing a lost time policy.

I want to extend my personal appreciation to Machinists Local Lodge 2948 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. Van Lewis, President  
Mr. Patrick Smutney, Machinists Grand Lodge Auditor