

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
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July 9, 2007

Mr. Lyle C. Clendenin, Secretary-Treasurer  
Machinists, AFL-CIO, Local Lodge 656  
801 Main Avenue  
Nitro, WV 25143-2141

LM File Number 065-059

Case Number: [REDACTED]

Dear Mr. Clendenin:

This office has recently completed an audit of Machinists Local Lodge 656 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 on June 20, 2007, 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.

Record Keeping 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

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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 656's records for the fiscal year ended December 31, 2006 revealed the following recordkeeping violations:

#### Failure to Maintain Bank Records

Local Lodge 656 did not maintain copies of cancelled checks for the period January 1 through June 30, 2006. There were at least 188 check copies not maintained which total at least \$137,089. While the credit union did not provide the Local Lodge with the cancelled checks, the check copies could have been printed from the credit union's internet web site. Every month the Local Lodge 656 needs to print the check copies, front and back, and maintain the copies with the rest of the Lodge's bank records.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and secretary-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.

Based on your assurance that Local Lodge 656 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

#### 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 656 for fiscal year ending December 31, 2006, was deficient in the following area:

### 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 656 amended its constitution and bylaws in 2006, but did not file a copy with its LM report for that year. Local Lodge 656 has now filed a copy of its constitution and bylaws.

### Other Violations

The audit disclosed the following other violation(s):

#### 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 those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that Local Lodge 656's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

### Other Issues

#### Signing Blank Checks

During the audit, you advised that officers sometimes sign blank checks. Your union's constitution and bylaws require that all checks be signed by the two executive board officers. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local Lodge 656 review these procedures to improve internal control of union funds.

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I want to extend my personal appreciation to Machinists Local Lodge 656 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: Jack Hecker, Grand Lodge Auditor