

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Los Angeles District Office
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September 14, 2005

Elaine Downing, Secretary/Treasurer
NFFE Federal District 1, Lodge 2152
P.O. Box 502
Needles, CA 92363

Re;

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Dear Ms. Downing:

This Office has recently completed an audit of NFFE Federal District 1, Lodge 2152 under the Compliance Audit Program (CAP) to determine compliance with provisions of the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA). As discussed during the exit interview with Vice-President Michael Hogan and you on August 4, 2005, 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.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

The following record keeping deficiencies were revealed during the audit of Lodge 2152's 2002 records:

Union officers failed to retain adequate documentation for reimbursed expenses which were paid by the union. The date, amount, business purpose, and authorization of every expense must be recorded on at least one union record. With respect to documentation retained in support of specific disbursements, such as the cost incurred in setting up the local's web site, the record retention requirement includes not only the retention of original bills, invoices, and/or receipts, all of which were missing, but also documentation showing the nature of the union business requiring the disbursement. In most instances, this documentation requirement can be most

easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. A pre-designed and approved union "Expense Report" form containing a section describing the expenditure and amount spent completed by the person seeking reimbursement and signed off by the authorizing official, sample copy attached, is recommended for this situation. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

Adequate documentation was not retained for the majority of the purchases in that the reason for the purchases was not stated. In addition, there was no record that any of the purchases made during the audit year were authorized by the union. Such authorization will normally be found in the union's minutes, which the lodge did not maintain.

I strongly urge Lodge 2152 to adopt clear guidelines, by means of local by laws, regarding what kinds of expenses union personnel may incur and what kinds of out-of-pocket expenses personnel may be reimbursed for. Authorization of all expenditures needs to be an integral part of the process. Our office is certainly available to provide guidance to you regarding the requirements of the law as they would pertain to any policies your union might adopt. When such written guidelines, detailed in the lodge's by laws, are adopted in the near future I would appreciate you providing a copy to this office.

As agreed, provided that Lodge 2152 adopts disbursement procedures in its bylaws and maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

The CAP disclosed a violation of LMRDA section 201(a) which requires that unions adopt a constitution and bylaws and file a copy of their current constitution and bylaws with the Secretary of Labor. Lodge 2152 may use the NFFE Constitution as the principal governing document for the union, but Lodge 2152 is required to adopt and maintain current bylaws governing its day to day operations as required by section 201(a).

As agreed, Lodge 2152 will adopt local bylaws and file two copies of the bylaws with this office by December 31, 2005.

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) required to be filed by Lodge 2152 for fiscal years ending December 31, 2003 and December 31, 2004 had not been filed with the DOL at the time of the audit. The lodge has since filed the reports, and an updated Form LM-1 reflecting the current structure of the lodge, and is now current with this requirement.

I strongly recommend that you make sure that this letter and the compliance assistance materials that were provided to you are passed on to yours and Mr. Michael Williams's successors at whatever time you may leave office.

I want to extend my personal appreciation for your cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

FLCJ
Investigator

Enclosure: Example of an "Expense Report"

cc: President (w/out enclosure)