



December 6, 2005

Ben Martinez
Government Employees AFGE CFL-CIO
320 E Colfax
Denver, CO 80501

Re: 2

Dear Mr. Ben Martinez:

This office has recently completed an audit of AFGE Local 695 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 Ben Martinez on December 5, 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.

The CAP disclosed a violation of LMRDA section 206, because the Labor Organization failed to maintain sufficient documentation to support some purchases and expenditures. The union issued funds to pay for a union picnic, and while the funds were authorized in the union budget, receipts were missing to adequately show the use of the funds and verify all expenses. The union maintained a hand written explanation of some of the disbursements. However, this was inadequate because the explanation did not show the specific amounts, or the specific vendor to whom the money was disbursed. Though the violations were few in number there are still areas where the union can improve its maintenance of records.

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 695's officers and employees are currently bonded for \$10,000, but they must be bonded for at least \$13,000. The union must obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained.

During the audit, it was discovered that blank checks had been presigned in advance. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. You may want to revise your check disbursement method and avoid signing any checks in advance.

I am not requiring that Local 695 file an amended LM report for 2004 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency, and will obtain adequate bonding coverage. I want to extend my personal appreciation for your and your entire staff's cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

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Investigator