

**U.S. Department of Labor**

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March 4, 2008

Ms. Eva Murchison, Treasurer  
Government Employees, AFGE LU 1502  
PO Box 569  
Dupont, WA 98327

LM File Number: 502-399  
Case Number: [REDACTED]

Dear Ms. Murchison:

This office has recently completed an audit of Government Employees, AFGE LU 1502 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Civil Service Reform Act of 1978 (CSRA), 5 U.S.C. 7120, and the Department's regulations, 29 CFR 458. As discussed during the exit interview with you on January 28, 2008, 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 of the LMRDA and Title 29 of the Code of Federal Regulations (C.F.R.) Section 403.7 require, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained and clarified. Pursuant to 29 C.F.R. Section 458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the Civil Service Reform Act of 1978 (CSRA) as well. Therefore, as a general rule, labor organization must retain 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 1502's 2006 records revealed the following recordkeeping violations:

#### General Reimbursed and Credit Card Expenses

Local 1502 did not retain adequate documentation for four credit card expenses totaling \$238.41 incurred by you and former President [REDACTED], and ten transactions from the union business checking account totaling \$1,700. For example the following items did not have receipts or a union record to substantiate payment: rooms at Pacific Beach; seven payments to officers or members related to district training; and other small miscellaneous disbursements.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer 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 1502 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

#### Reporting Violations

Pursuant to 29 C.F.R., Section 458.3, the reporting requirement under 29 C.F.R. Section 403.2 (see Section 201(b) of the Labor-Management Reporting and Disclosure Act (LMRDA)) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The audit disclosed a violation of this requirement. The Labor Organization Annual Report LM-3 filed by Local 1502 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. Failure to File Bylaws

Pursuant to 29 C.F.R. Section 458.3, the requirement under 29 C.F.R. Section 402.4 implementing LMRDA Section 201(a) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file copies of any revised constitution and bylaws when it files its annual financial report. The audit disclosed a violation of this requirement. Local 1502 amended its constitution and bylaws in 2006, but did not file the required copies with its LM report for that year. Local 1502 has now filed a copy of its constitution and bylaws.

2. Cash Reconciliation

It appears that the cash figures reported in Item 25 on Form LM-3 are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on all bank statements. Local 1502 only reported the cash balances from the general checking account and failed to include the CD, money market, and savings account.

3. Failed to File Correct Labor Organization Annual Report

Previously, Local 1502 filed a Form LM-3 report in error. During the audit, it was discovered Local 1502 failed to report receipts for dental dues totaling \$165,599, and dental benefit plan disbursements.

Local 1502 must now file an amended Labor Organization Annual Report and use Form LM-2. The amended Form LM-2 must be electronically filed as soon as possible, but not later than March 31, 2008. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

Pursuant to 29 C.F.R. Section 458.35, officers and employees of any labor organization subject to the CSRA are required to be bonded in accordance with Section 502(a) of the

LMRDA. This provision requires that union officers and employees be bonded for no less than 10% of the total funds those individuals or their predecessors handled during the preceding fiscal year. Officers and employees of Local 1502 were bonded for \$7,500; however, they must be bonded for at least \$42,000. Local 1502 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than March 31, 2008.

I want to extend my personal appreciation to AFGE Local 1502 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,

R. Bruce Edgington  
District Director

cc: Mr. Glen Lampman, President