

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
Nashville District Office  
233 Cumberland Bend Drive  
Room 110  
Nashville, TN 37228  
(615)736-5906 Fax: (615)736-7148



June 25, 2008

Ms. Carolyn Goodman, President  
Government Employees AFGE AFL-CIO  
Local 1844  
3400 Lebanon Road  
Murfreesboro, TN 37129-1297

LM File Number 501-860  
Case Number: [REDACTED]

Dear Ms. Goodman:

This office has recently completed an audit of AFGE Local 1844 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, Tom Shepherd, Wanda Davenport, John Borgen, Larry Henderson and John Lowe on April 3, 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 1844's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 1844 did not retain adequate documentation for credit card expenses incurred by you and Treasurer Shepherd totaling at least \$1,145.38. For example, there was a credit card purchase of a hotel room for \$828.00 which was not supported by an invoice or receipt.

In August 2006, eight \$25.00 gift cards totaling \$200.00 were purchased with the union's credit card from a BP gas station. Although the union did retain the receipt, there was no documentation detailing to whom the cards were given, the date given or the purpose.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements and include the names, dates and union purpose of the disbursement. The president and 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.

2. Meal Expenses

Local 1844's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For the fiscal year audited the amount of meal expenses which were not properly recorded totaled at least \$1,846.21.

For example, on two occasions, October 2006 and December 2006, the union incurred expenses of \$271.50 and \$348.69 respectively at Demos Steakhouse, however the receipts did not provide the names and titles of persons incurring the restaurant charges or the union business conducted.

Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

### 3. Receipt Dates not Recorded

Entries on Local 1844's deposit slips reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. For example, the union made two cash deposits; August 18, 2006 and November 3, 2006 for \$320.00 and \$255.00 respectively. The union did not maintain records detailing when the cash was received or the source of the cash.

The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

### 4. Disbursements to Members

Local 1844 did not maintain a list of members who received a \$50.00 bonus for joining the union. The union records revealed that the bonuses were paid and the union was subsequently reimbursed through the district and the national. The union must maintain a list or similar record of members, the amount disbursed to each member and the date of the disbursement.

### 5. Information not Recorded in Meeting Minutes

During the audit, you and Mr. Shepherd told OLMS that the union's \$120.00 per diem as well as travel/transportation amounts were authorized during a membership meeting. A review of the meeting minutes of the previous two years did not include information supporting the \$120.00 per diem.

Neither you nor Mr. Shepherd could provide anything in writing supporting the per diem or travel expense amounts which were disbursed during the fiscal year. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 1844 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 1844 for fiscal year ending March 31, 2007, was deficient in that:

The union must report most direct disbursements to Local 1844 officers and some indirect disbursements made on behalf of its officers in Item 24. A "direct disbursement" to an officer is a payment made to an officer in the form of cash, property, goods, services, or other things of value. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An "indirect disbursement" to an officer is a payment to another party (including a credit card company) for cash, property, goods, services, or other things of value received by or on behalf of an officer. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel) or for transportation by a public carrier (such as an airline) for an officer traveling on union business should be reported in Item 48 (Office and Administrative Expense).

I am not requiring that Local 1844 file an amended LM report for 2007 to correct the deficient items, but Local 1844 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Violations

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 1844 are currently bonded for \$10,000; however, they must be bonded for at least \$13,838.48.

The audit revealed that Local 1844'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

During the conduct of the audit it was revealed that Local 1844 made only four deposits during the fiscal year ending March 31, 2007. In some instances the deposit of dues checks was made months after they were received in the union. Making timely deposits of cash or checks received by the union is an effective internal control because it may prevent the misuse of union funds.

I want to extend my personal appreciation to AFGE Local 1844 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: John R. Lowe, Treasurer