

**U.S. Department of Labor**

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April 8, 2010

Mr. Bernard Humbles, President  
Government Employees, Local 2241  
VA Medical Center Building  
1055 Clermont Street  
Denver, CO 80220-3808

LM File Number: 502-015  
Case Number: [REDACTED]

Dear Mr. Humbles:

This office has recently completed an audit of Government Employees, Local 2241 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 and Theresa Seamster on April 8, 2010, 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 audit disclosed the following violations.

#### 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 2241's 2009 records revealed the following recordkeeping violations:

1. General Reimbursed and Debit Card Expenses

Local 2241 did not retain adequate documentation for reimbursed expenses and debit card expenses incurred by officers for travel and other expenses totaling at least \$6,067. For example, officers were paid for organizing expenses, union fairs, parking, mileage, and other reimbursements for which no expense receipts were found in union records.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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. Disposition of Property

Local 2241 did not maintain an inventory of petty cash funds which officers gave away to members for recruitment bonuses. The union failed to keep adequate records to show all receipts and disbursements from petty cash funds. The union wrote checks to petty cash totaling \$10,883.57, but did not accurately record all funds received or disbursed from petty cash.

The union must report the total of all the labor organization's cash on hand and on deposit at the start and end of the reporting period in Columns (A) and (B), respectively, in Statement A, Item 22 (Cash) of the LM-2. Include all cash on hand, such as undeposited cash, checks, and money orders; petty cash; and cash in safe deposit boxes. Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money market accounts. Also, include any interest

credited to the labor organization's account during the reporting period. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 22.

The union must record in at least one record, the date, recipient, and amount received and disbursed from petty cash.

3. Receipt Dates not Recorded

Entries in Local 2241's receipts journal reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. 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-2. The LM-2 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. Information not Recorded in Meeting Minutes

During the audit, Local 2241 Treasurer Theresa Seamster advised OLMS that the executive board authorized \$20,000 for the annual picnic, \$15,000 for the Christmas party, and \$20,000 for travel expenses. Article XIX, Section 6(e) of the AFGE national constitution requires that expenditures by any AFGE local Executive Board exceeding \$500 per month must have prior approval of the local's members either as approved by the budget or by a separate vote of local members. However, the minutes of meetings are silent regarding executive board or membership approval of \$36,352 in overages for picnic, Christmas party, and travel expenditures. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 2241's LM-2 report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or

imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

### 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 (Form LM-2) filed by Local 2241 for fiscal year ending December 31, 2008, was deficient in the following areas:

#### 1. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The union LM-2 report for FYE December 31, 2008 shows the ending balance is understated by \$4,090. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

#### 2. 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 2241 amended its constitution and bylaws in 2006, but did not file the required copies with its LM report for that year.

Local 2241 has now filed a copy of its constitution and bylaws.

Local 2241 must file an amended Form LM-2 report for fiscal year ending December 31, 2008, to correct the deficient item discussed above. I explained to you the filing procedures and the availability of filing software on the OLMS website

([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-2 must be electronically filed as soon as possible, but not later than April 23, 2010. Before filing, review the report thoroughly to be sure it is complete and accurate, and properly signed with electronic signatures.

I want to extend my personal appreciation to Government Employees, Local 2241 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: Ms. Theresa Seamster, Treasurer