



January 7, 2011

Mr. Michael Keen, President  
Government Employees  
3150 Horton Rd  
Ft. Worth, TX 76119

Case Number: [REDACTED]  
LM Number: 503482

Dear Mr. Keen:

This office has recently completed an audit of Government Employees 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 Treasurer Willie Williamson on December 17, 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.

Record Keeping Violation

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 1298's 2009 records revealed the following recordkeeping violation:

General Reimbursed and Credit Card Expenses

Local 1298 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by its officers totaling \$15,372.41. For example, Local 1298 conducted 84 ATM/Debit transactions during the audit period of which Local 1298 failed to maintain receipts for 31 of the 84 transactions. The transactions included purchases at Target, Wal-Mart, Staples, Best Buy, Exxon Mobil, Tiger Tails, Hilton Advance, El Tropicano, Grand Sierra Resort, American Airlines, and Arbitration Expenses. Writing the purpose on the bank statement is not sufficient documentation.

As 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.

Based on your assurance that Local 1298 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

#### 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-3) filed by Local 1298 for the fiscal year ended December 31, 2009, was deficient in the following areas:

#### 1. Cash at the Start of the Period

Local 1298 failed to include receipts from its Chase Savings Account totaling \$35,559 and its Bank of America CD account totaling \$14,493 in Item 25A(Cash Start of Reporting Period). Form LM-3 Instructions for Item 25A states enter the total of all cash on hand and on deposit at the start of the reporting period. Cash on deposit includes funds in banks, such as checking accounts, savings accounts, and certificate of deposits.

#### 2. U.S. Treasury Securities

Local 1298 mistakenly reported figures at the start and end of the reporting period. During the opening interview, you revealed that you had no knowledge of Local 1298 owning any U.S. Treasury securities.

#### 3. Disbursements to Officers

Local 1298 did not correctly report direct or indirect disbursements to its officers on Item 24 (All Officers and Disbursements to Officers). It appears that the union

erroneously reported these items in Item 55 (Other Disbursements).

The union must report most direct disbursements to Local 1298 officers and some indirect disbursements made on behalf of its officers in Item 24. A “direct disbursements” 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).

#### 4. Loans

Local 1298 inadvertently reported loans totaling \$2,000 each for two of its members in Item 18. Form LM-3 Instructions for Item 18 states if Item 18 is answered “Yes,” report Item 56 the name of each individual, the amount each individual owed at the end of the reporting period, the purpose, terms for repayment, and any security for such loan. During the course of the audit, OLMS established that the two loans were made and repaid prior to the audit period. Therefore, the details pertaining to the two loans should have been reported on the LM Report for the year for which the loans and repayments were made (2008).

Local 1298 must file an amended Form LM-3 for the fiscal year ended December 31, 2009, to correct the deficient items discussed above. I provided you with the blank form and instructions, and advised you that reporting forms and instructions are available on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than January 21, 2011. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to Government Employees Local 1298 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: Mr. Willie Williamson, Treasurer