

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Minneapolis Resident Investigator Office
900 Second Avenue South, Suite 450
Minneapolis, MN 55402
(612)370-3111 Fax: (612)370-3107



September 5, 2008

Mr. Larry Arner, President
Government Employees AFGE AFL-CIO
Local 1347 DOD
P.O. Box 10129
Grand Forks AFB, ND 58204-0129

LM File Number: 512-728
Case Number: [REDACTED]

Dear Mr. Arner:

This office has recently completed an audit of AFGE Local 1347 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 Treasurer John Nygord, Secretary Karen GreyEyes, and you on July 10, 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 1347's 2007 records revealed the following recordkeeping violations:

1. General Recordkeeping

Local 1347 recorded its receipts and disbursements in QuickBooks accounting software beginning in February 2007. Although the QuickBooks records clarify how information was reported in the cash receipts and disbursements sections of the Labor Organization Annual Report (Form LM-3) filed by Local 1347, as noted above, Section 206 requires that additional records be maintained. In the case of Local 1347, the audit revealed that employer dues check-off reports, and supporting documentation for 21 disbursement totaling \$5,608.22 were not maintained. The disbursements without documentation include payments to Qwest, reimbursed expenses to officers, an arbitrator expense, and payments to the Legislative Action Fund (LAF). For example, Local 1347 paid \$1,762.73 to Barbara Holmes on December 18, 2007 for an arbitration expense. However, no bill or other supporting documentation was maintained.

In addition, the Local did not always maintain records to verify meal expenses. Itemized receipts provided by restaurants to officers and employees must be maintained. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206. Records of meal expenses must also include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. In addition, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

Local 1347 also did not maintain sufficient details for mileage claims. While officers did include the number of miles driven and a general purpose, the voucher did not identify the starting and ending locations, and sometimes the date of travel was omitted. Local 1347 must maintain records which identify the dates of travel,

locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Receipt Dates not Recorded

Receipts recorded in Local 1347 QuickBooks file 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-3. The LM-3 instructions for Statement B state that receipts must be recorded when money is actually received and disbursements must be recorded when money is actually paid out. Failure to record the date money was received could result in reporting some receipts for a different year than the one in which they were received.

Based on your assurance that Local 1347 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 (Form LM-3) filed by Local 1347 for fiscal year ending December 31, 2007, was deficient in the following areas:

1. Item 14 - Audit or Review

Item 14 was erroneously answered "yes" on Local 1347's 2007 LM-3 report. No accountant or parent body representative reviewed or audited Local 1347's records during the reporting period and therefore Item 14 should be answered "no." The LM-3 instructions for Item 14 state to answer Item 14 "No" if the audit or review was only performed by an audit committee or trustees of your organization.

2. Item 24 - All Officers and Disbursements to Officers

Local 1347 did not include some reimbursements to officers totaling at least \$440.27 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears these payments were erroneously reported in either Item 48 (Office and Administrative Expense) or Item 54 (Other Disbursements).

Most direct disbursements to Local 1347 officers and some indirect disbursements made on behalf of its officers must be reported 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).

3. Cash Reconciliation

Local 1347's cash does not reconcile by \$1,696 on the 2007 LM-3 report and does not reconcile by \$7,000 on the union's 2006 LM-3 report. Beginning of year cash (Item 25A) plus Total Receipts (Item 44) minus Total Disbursements (Item 55) should equal End of Year cash (Item 25B).

During the audit, Treasurer John Nygord explained that he began recording disbursements in QuickBooks in February 2007. However, according to bank statements and union records, it appears that Local 1347 made disbursements in January 2007. The January 2007 disbursements were never entered into the union's QuickBooks file and appear to have erroneously been omitted from the union's 2007 LM-3 report.

	2006 Report:	2007 Report:
Beginning of Year Cash (Item 25A)	\$ 8,340.08	\$ 13,162
(Plus) Total Receipts (Item 44)	23,344.00	23,742
(Minus) Total Disbursements (Item 55)	11,449.90	29,319
Should equal End of Year Cash (Item 25B)	13,162.62	5,889
<i>Calculated Year End Cash</i>	20,234.18	7,585
Difference:	\$ 7,071.56	\$ 1,696

I am not requiring that Local 1347 file an amended LM report for 2006 or 2007 to correct the deficient items, but Local 1347 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to AFGE Local 1347 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: Treasurer John Nygord