

U.S. Department of Labor

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May 19, 2008

Ms. Stephanie Starks, President
AFGE AFL-CIO
Local 1793
3900 Woodland Avenue
Philadelphia, PA 19104

LM File Number 508-626

Case Number: [REDACTED]

Dear Ms. Starks:

This office has recently completed an audit of Government Employees AFGE Local 1793 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 Ronald Francis and you on May 13, 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 1793's 2007 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 1793 did not require officers to submit itemized receipts for meal expenses. For example, the union charged \$635.77 to the Chart House Restaurant on November 30, 2007. Although the receipt was retained, the union purpose and itemization was not noted on the receipt. You had advised me that this charge was for a dinner with the National VA Council's contract negotiating team. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LNIRDA Section 206.

Local 1793 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. 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.

2. General Expenses

Local 1793 did not initially retain adequate documentation for some union expenses incurred by union officers during the fiscal year ending December 31, 2007. During the course of the audit, Local 1793 was able to obtain documentation and prove a union purpose for each expense that was not initially supported by adequate backup documentation. For example, the local did not maintain documentation to support purchases to Amtrak for union travel totaling

approximately \$339. During the audit, these purchases were verified without discrepancies.

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.

Based on your assurance that Local 1793 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 1793 for fiscal year ending December 31, 2007, was deficient in that:

Disbursements to Officers

Local 1793 did not include some salary checks to officers totaling at least \$291 in the amounts reported in Item 24 Column D (Gross Salary). Local 1793 did not include some allowances and other disbursements to officers totaling at least \$9,598 in the amounts reported Item 24 Column E (Allowances and Other Disbursements). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 1793 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).

Local 1793 must file an amended Form LM-3 for fiscal year ending December 31, 2007, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (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 June 13, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original 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 1793 are currently bonded for \$17,500; however, they must be bonded for at least \$28,568. Local 1793 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 June 13, 2008.

Other Issues

1. Union Book Balances

Local 1793 did not maintain its own union book balances of financial transactions. OLMS suggests that Local 1793 keep their own book balance, instead on solely relying on bank statements, to efficiently keep track of the local's receipts and disbursements. A union book balance acts as an additional record to compare to bank statements to account for possible errors.

2. Duplicate Receipts

Some members of Local 1793 pay dues or other fees and reimbursements directly to the union. Although Local 1793 issued receipts to the majority of members paying funds directly to the union, the local was inconsistent with issuing receipts. OLMS recommends that Local 1793 stay consistent when using a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to Government Employees AFGE Local 1793 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: Ronald Francis, Treasurer