

U.S. Department of Labor

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September 15, 2008

Ms. Lynda Hardgrave, Secretary-Treasurer
Government Employees AFGE AFL-CIO
Local Union 2354
4754 Greybull Avenue
Cheyenne, WY 82009-5246

Re.: LM File Number: 502-806
Case Number: [REDACTED]

Dear Ms. Hardgrave:

This office has recently completed an audit of American Federation of Government Employees, AFL-CIO, Local Union 2354 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 President Francis Shive on August 7, 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 LU 2354's records for fiscal year ending October 31, 2007, revealed the following recordkeeping violation:

Meal Expenses

LU 2354 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 example, several meal purchases were made by the union's debit card. 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.

Based on President Francis Shive's assurance that LU 2354 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.

Deficient Filing - Form LM-3

The Labor Organization Annual Report Form LM-3 filed by LU 2354 for fiscal year ending October 31, 2007, was deficient in the following areas:

1. Money Market Funds and Certificates of Deposit Reported As Investments

LU 2354 improperly included the value of its money market account and two certificates of deposit as investments in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers the funds in a money market and certificate of deposit to be cash. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements.

2. 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 instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

LU 2354 must file an amended Form LM-3 for fiscal year ending October 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 was received by OLMS on September 3, 2008.

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 most recent copy on file with OLMS was dated September 12, 1973. The audit disclosed a violation of this requirement.

Deficient Filing - Bylaws

LU 2354 has amended its constitution and bylaws since September 12, 1973, but did not file the required copies with its LM report. LU 2354 filed a copy of its most recent constitution and bylaws dated January 9, 2008, during the audit.

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 LU 2354 are currently bonded for \$5,000; however, they must be bonded for at least \$10,642.62. Local 2354 should obtain adequate bonding coverage for its officers and employees immediately. As of September 12, 2008, proof of adequate bonding coverage has not yet been received by this office.


Other Issue

Signing Blank Checks

During the audit, you advised that you and President Francis Shive sign blank checks. Your union's bylaws require that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that LU 2354 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to American Federation of Government Employees, AFL-CIO, LU 2354 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. Francis Shive, President