



February 22, 2011

Mr. David Roach, President  
AFGE Local 2483  
2401 West Main Street  
Marion, IL 62959

Case Number: [REDACTED]  
LM Number: 503721

Dear Mr. Roach:

This office has recently completed an audit of AFGE Local 2483 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 you February 17, 2011, 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 2483's 2010 records revealed the following recordkeeping violations:

1. Lack of Adequate Backup Documentation for Disbursements

Local 2483 did not retain adequate documentation for disbursements totaling at least \$1,500. A check was written to Cash on October 5, 2009 for \$1,500. The disbursements journal states that the cash was used for new member rebates and recruiter rebates during the October 5 through October 9, 2009 Lunch and Learn. The local did not retain any documentation to verify the names or amounts paid to each new member and recruiter.

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.

2. Lack of Adequate Backup Documentation for Receipts

Local 2483 did not retain adequate documentation for receipts totaling at least \$4,400. For example, retiree members pay dues directly to the local; however, the local did not retain any documentation for these dues payments.

Labor organizations must retain backup documentation to clarify and verify all receipts. 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.

3. Information not Recorded in Meeting Minutes

During the audit, Mr. Roach advised OLMS that officers do not receive a salary or allowance; however, an officer bonus pool is included in the annual budget, which is approved by membership. In December of each year, the executive board reviews the work of the officers and awards a portion of the bonus pool to each officer. Local 2483 did not maintain executive board meeting minutes; therefore, there are no records to verify that the amounts paid to each officer are the amounts agreed to by the executive board. 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 2483's LM 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.

Based on your assurance that Local 2483 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 2483 for the fiscal year ended March 31, 2010, was deficient in the following areas:

#### 1. Disbursements to Officers

Local 2483 did not include some disbursements to officers totaling at least \$2,700 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). The disbursements include recruiter rebates and per diem for the August 2009 AFGE National Convention in Reno, Nevada. It appears the union erroneously reported these payments in Items 48 Office and Administrative Expenses and 54 Other Disbursements.

The union must report most direct disbursements to Local 2483 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).

#### 2. Incorrect Figures Reported On The LM Report

It appears that the figures reported in Item 25(A) (Cash at Start of Reporting Period), Item 25(B) (Cash at End of Reporting Period), Item 44 (Total Receipts), and Item 55 (Total Disbursements) on Local 2483's 2010 LM-3 report are not the correct figures according to the union's books after reconciliation to the bank statements. During the exit interview, I provided a copy of the Instructions for Form LM-3. The instructions identify account information that should be included in the Items mentioned above.

Local 2483 must file an amended Form LM-3 for the fiscal year ended March 31, 2010, 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 March 4, 2011. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

1. Duplicate Receipts

Retiree members of Local 2483 pay dues directly to the union. Union employees record dues payments in the union's receipts journal, but they do not issue receipts to dues payers. OLMS recommends that Local 2483 use 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.

2. Signing Blank Checks

During the audit, you advised that blank checks are occasionally signed when officers are not going to be in the same physical location for long periods of time. Article V, Section 2 of the AFGE Standard Local Constitution requires that all checks be signed by the president and treasurer or other officer prescribed by the local's bylaws. 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 Local 2483 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to AFGE Local 2483 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: Dorothy James, AFGE National Vice President, District 7