



December 17, 2012

Mr. Tim Jorgensen, Secretary Treasurer  
Government Employees, AFL-CIO  
AFGE Local Union 2724  
National Border Patrol Council  
6978 Lakeside Drive  
Niagara Falls, NY 14304

Case Number: [REDACTED]  
LM Number: 503-348

Dear Mr. Jorgensen:

This office has recently completed an audit of Government Employees, AFGE Local 2724 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 Michael O'Connor (via telephone) and you on December 14, 2012, 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 2724's 2011 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 2724 did not retain adequate documentation for reimbursed expenses incurred by President Michael O'Connor and other individuals totaling at least \$1,154. For example no documentation was retained for a check issued to O'Connor for \$300 for meeting expenses. Also, member [REDACTED] received \$78 without an accompanied voucher or other 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.

2. Meal Expenses

Local 2724 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$1,100. 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 LMRDA Section 206.

Local 2724 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, no receipt was retained for \$356.90 for a meeting at BK Ryan's Irish Pub. Additionally, no detail was provided on the union business conducted or those individuals present at the meal. 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.

3. Reimbursed Auto Expenses

Union officers and employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$235 during the period. The union 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.

4. Failure to Record Receipts

Local 2724 did not record in its receipts records employer dues checkoff checks received through direct deposit by the National organization. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

Based on your assurance that Local 2724 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 (LM-3) filed by Local 2724 for fiscal year ending December 31, 2011 was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Local 2724 did not include some reimbursements to officers totaling at least \$280 in the amounts reported Item 24 (All Officers and Disbursements to Officers) on the 2011 form. It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

During the compliance audit, OLMS also reviewed 2009 records for accuracy and found that Local 2724 failed to include indirect payments to officers on the 2009 LM-3 Form. For example, payments made to [REDACTED], [REDACTED] of then Secretary Treasurer [REDACTED] were not reported next to the officer's name on the form when in fact they were indirect payments to Mr. [REDACTED].

The union must report most direct disbursements to Local 2724 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. Disbursements to Employees

AFGE Local 2724 did not include some payments to employees totaling at least \$2,800 in the amounts reported in Item 46 (Disbursements to Employees). These payments were reimbursements for travel provided to such individuals who are not officers of the local union. It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

In Item 46, enter the total of all salaries, travel advances, which are not considered loans, and other direct and indirect disbursements (less deductions) to employees of the organization. Include disbursements to individuals other than officers even if your organization does not consider them to be employees.

3. Purchase of Fixed Assets

During the period, the union purchased laptop computers for the union and associated accessories totaling \$1,865. This payment was reported incorrectly in Item 54 on the form. Rather, this purchase should have been reported in Item 52 (Purchase of Investments and Fixed Assets) and corresponding entries made to Item 29 (Fixed Assets), as applicable.

I am not requiring that Local 2724 file an amended LM report for 2011 to correct the deficient items, but Local 2724 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Sole Signature on Checks

During the audit, you advised that it is Local 2724's practice for you, as secretary treasurer, to sign all union checks solely. You indicated that no one but yourself reviews the checks before they are issued. 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. Having only one signature on checks does not attest to the authenticity of the completed check. OLMS recommends that Local 2724 review these procedures to improve internal control of union funds.

2. Inventory of Fixed Assets

As discussed with you during the exit interview it is recommended that the union maintain an inventory list of its assets and account for such assets on the LM-3, as applicable. An inventory list will help you identify, account for, and determine the total value of your union's fixed assets.

I want to extend my personal appreciation to Local 2724 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,

[REDACTED]

Investigator

cc: Mr. Michael O'Connor, President  
Mr. [REDACTED] Secretary Treasurer Local 2266