

**U.S. Department of Labor**

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March 11, 2009

Bill Schauman, President  
Government Employees AFGE AFL-CIO  
Local 2782  
P.O. Box 130  
Suitland, MD 20752-0130

LM File Number 501-569

Case Number: [REDACTED]

Dear Mr. Schauman:

This office has recently completed an audit of American Federation of Government Employees (AFGE) Local 2782 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 Secretary-Treasurer Lois Moore and you on March 5, 2009, 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 2782's 2005 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 2782 did not retain adequate documentation for reimbursed expenses incurred by union officers. For example, a check was written to a union officer so that the officer could purchase food for the local's annual open house. The union failed to retain receipts for any of the food that was purchased.

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.

2. Failure to Retain Records

Local 2782 did not retain a receipt for a union expense. A union check was written to a restaurant for food for a membership meeting. However, the union did not retain the receipt for this purchase.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers, as well as information in the union's records describing the purpose of the disbursement if it is not sufficiently described on the receipts bills, or vouchers, for all disbursements. The president and treasurer 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 2782 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 2782 for fiscal year ending December 31, 2005, was deficient in the following areas:

#### 1. Disbursements to Officers

Local 2782 did not include some reimbursements to officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 2782 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. Failure to File Bylaws

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 audit disclosed a violation of this requirement. Local 2782 amended its constitution and bylaws in 2000, but did not file the required

copies with its LM report for that year. Local 2782 has now filed a copy of its constitution and bylaws.

3. Failure to File Timely LM-3

The law requires unions to file an LM form within 90 days after the completion of the union's fiscal year. Since the union's fiscal year ended on December 31, 2005, the LM-3 report was due by March 31, 2006. However, Local 2782 did not file this report until August 23, 2007. Based on your assurance that you will file the report on time in the future, no additional enforcement action will be taken at this time.

4. 2006 and 2007 LM-3 Reports

During the audit, the union's 2006 and 2007 LM-3 reports were also reviewed. The review found that there were significant cash reconciliation errors on both reports. The cash at the start of the reporting period (Item 25(A)) plus total receipts (Item 44) minus total disbursements (Item 55) does not equal cash at the end of the reporting period (Item 25(B)). Either one or more of the reported figures in these items is inaccurate and should be corrected or the cash shortage or overage must be explained in Item 56 (Additional Information).

I am not requiring that Local 2782 file an amended LM report for 2005 to correct the deficient items. However, Local 2782 must file amended LM-3 reports for fiscal years ending December 31, 2006 and December 31, 2007, to correct the cash reconciliation errors on the reports. I provided you with blank forms and instructions, and advised you that the reporting forms and instructions are available on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-3 reports should be submitted to this office at the above address as soon as possible, but not later than April 6, 2009. Before filing, review the reports thoroughly to be sure they are complete, accurate, and signed properly with original signatures.

I want to extend my personal appreciation to 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: Lois Moore, Secretary-Treasurer