



October 31, 2011

Ms. Phyllis Murphy, Secretary Treasurer  
Government Employees (AFGE), AFL-CIO  
Local Union 400  
P.O. Box 400  
Fort Drum, NY 13602-0400

Case Number: [REDACTED]  
LM Number: 541909

Dear Ms. Murphy:

This office has recently completed an audit of Government Employees Local 400 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 you on October 21, 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.

#### 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 400 for the fiscal year ended December 31, 2010, was deficient in that:

1. Disbursements to Officers

Local 400 did not include some reimbursements to officers totaling at least \$930 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48.

The union must report most direct disbursements to Local 400 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. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away tee-shirts, organizing supplies, and computer monitor calendars totaling more than \$1,962 during the year. The union must identify the type and value of any property given away in the additional information section of the LM report along with the identity of the recipients of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

3. Purchase of Investments and Fixed Assets

Item 52 (Purchase of Investments & Fixed Assets) does not include the amount the local disbursed for fixed assets purchased during the audit period. The local reported the amounts disbursed for a computer and a photocopier in item 48.

I am not requiring that Local 400 file an amended LM report for 2010 to correct the deficient items, but Local 400 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 400 does not have a clear policy regarding the types of expenses officers and stewards may claim for reimbursement and the types of expenses that may be charged to the union's debit card. OLMS recommends that unions adopt written guidelines concerning travel expenses, union debit cards, and lost time. It was suggested that the local require an expense form for reimbursed travel expenses and lost time. Also, meeting minutes should reflect the authorization of unusual expenses, including travel expenses.

2. Second Signature on Checks

You indicated that all checks drawn must be signed by two officers, yet a number of checks drawn on the local's bank account during the audit period were not countersigned. OLMS recommends that all checks have a second signature and that the officer countersigning the check knows the purpose of the transaction. The two signature requirement is an effective internal financial control.

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I want to extend my personal appreciation to Government Employees Local 400 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: Ms. Robin Johnson, President