

U.S. Department of Labor

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April 28, 2008

Ms. Esther White, President
Government Employees, AFGE, AFL-CIO
Local 3955
8901 S. Wilmot Rd.
Tucson, AZ 85706

LM File Number 517-817 Case
Number: [REDACTED]

Dear Ms. White:

This office has recently completed an audit of AFGE Local 3955 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 and former local treasurer [REDACTED] on April 25, 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.

LMRDA Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that labor organizations maintain adequate records for at least five years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, labor organizations must maintain 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 3955's 2006 records revealed the following recordkeeping violations:

- 1. General Reimbursed and Credit Card Expenses
 - Local 3955 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred during the audit period. As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer of your union, who are required to sign your union's LM-3 report, are responsible for properly maintaining records.
 - 2. Meal Expenses
 - Local 3955 records of meal expenses did not include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. 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. Information not Recorded in Meeting Minutes
 - According to Local 3955 bylaws as well as information provided in the opening interview, expenditures over \$500 must be approved in advance by the members, either in the authorized budget or by separate vote of the local members. Bylaws also require that all expenditures authorized by the executive board are reported in writing at the next monthly membership meeting, that the local secretary record and maintain minutes of any meetings (executive board and regular), and that the treasurer disclose and maintain monthly financial reports; however, no meeting minutes, financial reports (treasurer or executive board), or written budgets were maintained by your local for the audit year. As a result, approval for audit year large or non-routine expenditures could not be readily verified by OLMS.
- 2 Lack of Salary Authorization

Local 3955 did not maintain records containing authorization for officer salaries (treasurer salary of \$50 per month). Local bylaws appear to be silent concerning authorized officer salary; therefore, the union must keep an official record, such as meeting minutes, to show the current salary level authorized by the entity or individual(s) in the union with the authority to establish salaries.

5. Dental Benefits

Local 3955 did not maintain adequate records for the authorization of member dental benefits, as local bylaws appear to be silent with respect to such benefits and minutes were not maintained by the local during the audit period. As the financial activity related to the dental plan was adequately documented in the financial records (general journal, bank statements, source documents, etc.), the validity of this plan was not

called into question; however, the local should adopt plan provisions and maintain evidence of its initial authorization in the future.

Based on your assurance that Local 3955 will retain adequate documentation in the future, OLMs will take no further enforcement action at this time regarding the above violations.

LMRDA Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-3) filed by Local 3955 for fiscal year ending December 31, 2006, was deficient as follows:

1. Disbursements to Officers (LM-3)

Local 3955 did not report the total amounts of payments to officers or on their behalf in Item 24 (All Officers and Disbursements to Officers).

The union must report most direct disbursements to local 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/ Administrative Expense).

Audit year indirect disbursements (credit card expenses) paid by the local on behalf of the local president and vice president were not properly accounted for in the local's records or properly reported on the LM-3 report; these expenses were included in Item 48 when a portion of them should have been reported in Item 24, Column E (Allowances/Other) next to the appropriate officer names. Also, direct disbursements to officers were not correctly reported on the LM-3 report, as salary payments (Column D) were misreported as non-salary payments (Column E), and some non-salary check payments to officers were not reported at all in Item 24.

2. Other Reporting Deficiencies (LM-3):

Certain other audit year LM-3 entries were incorrect, including, but not limited to, omitted dividend income from savings accounts (Item 41); misreported officer credit card activity (Item 45); omitted charity payments (Item 51); misreported investment and fixed asset purchases (Item 52); misreported dental benefit payments (Items 50, 54); omitted "ACH withdrawal" payment (Items 54, 55).

2 Cash Reconciliation

Cash figures reported in Item 25a/b (beginning/ending cash) were different from cash figures in 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. Also, the local's reported total receipts (Item 44) and total disbursements (Item 55) figures differed from the local's book figures. These differences were attributed to erroneous book and LM-3 entries, which were corrected during the audit to avoid carryover to future LM-3 reports.

Local 3955 must file an amended Form LM-3 for fiscal year ending December 31, 2006, to correct the deficient items discussed above. During the exit interview, I advised you that forms and instructions are available on the OLMS website (www.olms.dol.gov). Your amended LM-3 should be submitted to this office at the above address as soon as possible, but not later than May 12, 2008, which is 15 days of the date of this letter. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violations

The audit disclosed the following other violation:

1. Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year. Local 3955 officers and employees were bonded for \$5,000 but should have been bonded for at least \$6,151.98 (10% of \$61,519.77). Local officers should immediately increase the local's bonding coverage for officers and employees and provide to OLMS a copy of the new bond certificate as soon as possible, but not later than May 12, 2008, which is 15 days of the date of this letter.

Other Issues

1. Expense Policy

As I discussed with the officers present at the exit interview, the audit revealed that Local 3955 lacks a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. During the audit year, reimbursement vouchers were not required for non-salary payments to officers and others (stewards, etc.), and documentation (receipts, invoices, etc.) maintained for such payments was somewhat inadequate. OLMS recommends that unions adopt written guidelines (expense policies, etc.), and that they maintain vouchers and source documentation for such expenses.

2 Single-Signature Policy; Canceled Checks/Images; Internal Audits

During the audit, officers stated that the treasurer alone signs most or all union checks, although any other officer is able to sign union checks, if needed. Review of the local's financial records confirmed that audit year checks contained just one signature line and

one signature (that of then-treasurer [REDACTED]). Your bylaws require that all checks be signed by both the president and treasurer. This is advised because a two-signature requirement is an effective internal control over union funds. Its purpose is to attest to the authenticity of a completed document already signed. Internal control is significantly diminished with a one-signature requirement, as well as a lack of critical source documentation (no canceled check images or original canceled checks were provided to the local by its credit union).

Also, officers said that neither internal nor external audits are not regularly done but that an audit is usually done following officer transitions; however, no audit was done during the audit period or following recent officer transitions.

OLMS recommends that a two-signature check signing requirement be adopted by the local, that the local have its bank provide canceled check images (or better yet, return original canceled checks), and that periodic audits records be conducted, in order to achieve compliance with bylaws and improve internal financial control.

I want to extend my personal appreciation to AFGE Local 3955 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]

[REDACTED] Investigator

cc: [REDACTED], Treasurer