



July 12, 2005

Re. _____ 2

David Maier, President
Government Employees, AFGE, AFL-CIO
Local 2092
2215 Fuller Court, Room AB-22
Ann Arbor, Michigan 48105

Dear Mr. Maier:

This office has recently completed an audit of American Federation of Government Employees Local 2092 under the Compliance Audit Program (CAP) to determine your organization's compliance with the Standards of Conduct provisions of the Civil Service Reform Act of 1978 (CSRA). As discussed during the exit interview with Secretary-Treasurer Pathenia Hoy, Vice-President Carl Marks, and yourself on July 8, 2005, 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.

The CAP, which covered your union's fiscal year ending on December 31, 2004, disclosed several violations of the Standards of Conduct recordkeeping provisions of the CSRA. Unions must maintain financial records and other related records that explain, clarify, or verify any report filed with the Office of Labor-Management Standards (OLMS). This includes the union annual financial report filed on Forms LM-2, LM-3, or LM-4. Records must be retained for five years after a report is filed. As a general rule, all types of records used in the normal course of doing union business must be retained. Examples of records you should retain include receipts and disbursement journals, cancelled checks and check stubs, bank statements, dues collection receipts, employer checkoff statements, per capita tax reports, payroll records, etc. In addition, a union must obtain adequate backup records such as receipts and vouchers from parties with whom the union engages in financial transactions.

The following recordkeeping deficiencies were noted during the CAP:

1. Your union failed to maintain adequate records to account for all monies disbursed during your union's "Lunch and Learn" member recruiting sessions. As discussed

during the exit interview, I advised that \$270 of the total \$2,000 (4 checks written to cash for \$500 each) withdrawn from the union's checking account for "Lunch and Learn" was unaccounted for. The audit revealed that a total of \$520 was redeposited and a total of \$1,210 was paid to recruiters and new members. Although you provided additional receipts at the exit interview, I was unable to tie them to the \$270. I recommended your union issue checks in lieu of cash to recruiters and new members during "Lunch and Learn."

2. Your union kept an adequate record identifying recipients of Meijer gift cards. However, you failed to maintain records to account for leftover Meijer gift cards, valued at \$25 each. The audit found that 440 gift cards were purchased and 403 were distributed to members. During the exit interview, you provided eight unused cards and additional information for five cards: two used to purchase office supplies, two given to members in hardship, and one to a volunteer. You also stated that cards were handed out to your local's retired members but provided no supporting records. At the conclusion of the exit interview, there were no records to account for 24 cards.
3. Unions are required to retain bills, invoices, receipts, etc., for all travel expenses not covered by a per diem or other type of allowance. During the audit period, some travel expenses charged to the union's American Express credit card lacked proper supporting documentation.

With respect to documentation retained in support of specific disbursements (including those in payment of credit card charges), the record retention requirement includes not only the retention of original bills, invoices, receipts, and vouchers, but also additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and all of the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt, bill, invoice, etc. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. If a receipt is not provided, then the union must create a record containing the above information with a notation that original documentation was not provided.

4. Ms. Hoy failed to keep the receipt for a purchase made at Wal-Mart with the union's American Express credit card in the amount of \$109.63. Ms. Hoy advised that she retained the receipt but did not have it at the exit interview.
5. Three duplicate receipts were not recorded in the receipts ledger/journal. Those receipts could not be traced back to bank deposit slips. At the exit interview, Ms. Hoy stated that two receipts were both written for the same \$30. Therefore, two receipts were untraceable in the local's receipts records.
6. The local failed to maintain meeting minutes for approximately four executive board

meetings held during the audit period. In addition, a motion to continue Ms. Hoy's monthly allowance was discussed in the April 2004 membership meeting minutes, but the minutes never stated whether the motion was passed. Therefore, the purpose and legitimacy of such payments to Ms. Hoy could not be verified. Authorization and approval of large or unusual disbursements and a full understanding of the level of wages, allowances, and expenses to which your union's officers and members are entitled should be recorded in the minutes of membership or executive board meetings if they are not fully covered in your union's constitution and bylaws.

As I stated at the exit interview, provided that AFGE Local 2092 maintains adequate financial and other related records in the future, no additional enforcement action will be taken regarding this violation. As your union's president and treasurer, you and Ms. Hoy are personally responsible for properly maintaining your union's records.

The CAP disclosed violations of the reporting requirements of the Standards of Conduct provisions of the CSRA. Your union failed to submit a copy of its bylaws with its LM report when the bylaws were last amended. During the CAP opening interview, you provided a copy of your amended bylaws.

Although you filed a Labor Organization Annual Report, Form LM-2, for fiscal year ending December 31, 2004, the reporting regulations only required the filing of Form LM-3, which can now be filed by unions with total annual receipts between \$10,000 and \$249,999. The 2004 report was deficient in the following areas:

1. The local's two laptops and two shredders must be reported as Fixed Assets (Item 29 on Form LM-2, Schedule 5 on Form LM-2).
2. Financial items must be entered in whole dollars only; no cents and no ".00."
3. Enter a single "0" in the boxes for reporting dollars if your organization has nothing to report.
4. Officers' lodging expenses were inaccurately reported on Form LM-2 under "Other Disbursements (Schedule 15)."
5. The "Total Receipts" reported in Item 55 differs from the total amount of receipts calculated during the audit.
6. The "Interest" reported in Item 46 differs from the amount calculated during the audit.
7. Expenses reported for you in Schedule 9, under "Disbursements for Official Business," differ from the amount calculated during the audit.

8. Ms. Hoy's allowance was inaccurately reported in Schedule 9, under "Disbursements for Official Business."

All direct and indirect disbursements made to or on behalf of your union's officers must be included in the amounts reported in Item 24 (All Officers and Disbursements to Officers) on Form LM-3. A "direct disbursement" to an officer is a payment made by your organization to an officer in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an officer is a payment made by your organization to another party (including credit card companies) 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 for room rent charges only) or for transportation by a public carrier (such as an airline) for an officer traveling on official business should be reported in Item 48 (Office and Administrative Expenses).

Other deficiencies contained in your union's financial report for the fiscal year ending December 31, 2004, were listed in the Error Summary provided to you at the exit interview. It will be necessary for Local 2092 to file an amended LM-2 or LM-3 report for the fiscal year ending December 31, 2004, to correct the deficient items discussed above and contained in the Error Summary. You were provided with the necessary reporting forms and instructions at the exit interview. You may also use the electronic forms software available from OLMS to complete the amended report. One copy of your amended report should be submitted to this office at the above address as soon as possible, but no later than August 1, 2005. Before mailing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

The audit revealed a violation of the bonding requirements of the Standards of Conduct provisions of the CSRA. Union officers and employees must be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 2092's officers are currently bonded for \$7,500, but they must be bonded for at least \$20,000. The union should obtain adequate bonding coverage for its officers immediately. Ms. Hoy advised at the exit interview that she has already requested increased bonding coverage from your national union and that proof thereof will be forwarded to OLMS immediately upon receipt. Therefore, no further enforcement action is contemplated at this time.

The Standards of Conduct provisions of the CSRA require the maintenance of fiscal integrity in the conduct of your union's affairs, including providing accounting and financial controls necessary to assure such maintenance. At the CAP opening interview, you advised that you sign blank checks in advance. Your union's bylaws require that all checks be signed by the president and treasurer. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and

completely circumvents and undermines the whole purpose of the countersignature requirement. You should cease signing blank checks in advance.

At the exit interview, I recommended your union start maintaining a Twelve-Month Summary, also referred to as a General Ledger. The Twelve-Month Summary accumulates the monthly cash receipts and cash disbursements totals. It provides yearly totals of all the individual types of receipts and disbursements. The Twelve-Month Summary will provide an overview of the yearly financial transactions for your union. The yearly total shown on the summary can usually be directly tied to specific line items on the LM report.

I request that you pass on this letter and the compliance assistance materials that were provided to you at the exit interview to your and Ms. Hoy's successors at whatever time you may leave office.

I greatly appreciate the cooperation and courtesy that you, Ms. Hoy, and your staff extended to us during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

Ian Burg, District Director

By:

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Detroit District Office – OLMS