

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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November 1, 2005

Government Employees, AFGE
Local 1731
P.O. Box 6099
Sheppard AFB, TX 76311-0099
Attn: Larry Sosebee, President

Re: 2

Dear Mr. Sosebee:

This office has recently completed an audit of Local 1731 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 Michael Cleveland, former Secretary-Treasurer, on October 28, 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.

Title II of the LMRDA establishes certain reporting and record keeping requirements. Section 206 requires, among other things, that adequate records be maintained 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, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipients of the goods or services.

The following record keeping violations were revealed during the audit of Local 1731's 2004 records:

Union officers and employees failed to retain adequate documentation for reimbursed expenses for lodging which were paid by the union. The Local failed to retain documentation of per diem amounts and receipts in 2004. The Local did not retain adequate documentation for all travel, lunch and learn expenses, wireless phone bills, and purchase of office supplies. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses paid for by the union and the locations (names of restaurants) where meal expenses were incurred must also be recorded. The approval of expenses, such as individuals receiving payment and the exact expense amount, must be included in meeting minutes. Local 1731 did not maintain all of its meeting minutes for 2004 and failed to record all necessary information in meeting minutes. Payments for regular union expenses, not officer expenses, should be paid directly to the business or provider.

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 the recipients of the goods or services. In most instances, this documentation requirement can be most easily satisfied with a sufficiently descriptive receipt. If a receipt is not sufficiently descriptive, a note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of reimbursed mileage expenses for personal vehicles used for business travel, records must be maintained which identify the date of travel, locations traveled to and from, number or miles driven, and the business purpose of each use. The Local did not meet this requirement.

Local 1731 failed to retain an inventory list of property which it purchased or obtained by merging with other Local's in the past. Records must be retained which account for all union property. If any property is sold to members, donated or destroyed, the date and amount received from every sale or disposition must be recorded in at least one record.

Local 1731 failed to record in its records some employer dues check-off checks and some interest received from banks. The Local also failed to record all service charges incurred in 2004. Union receipts records must include an adequate identification of each receipt of money. The Local failed to record the receipts, disbursements and account balances for all three of its accounts. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

Some checks which were voided and not issued were not retained. All voided checks must be maintained and not destroyed.

As agreed, provided that Local 1731 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation. The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1731's LM-3 report. You should be aware that Section 206 of the LMRDA provides for a fine of not more than \$10,000 or imprisonment for not more than one year, or both, for willful failure to maintain records.

The CAP disclosed a violation of LMRDA section 201(b), because the Labor Organizations Annual Report (Form LM-3) filed by Local 1731 for fiscal year ending December 31, 2004 was deficient in the following areas:

The names of some officers who held office during the year were not reported in item 24 with the total amount of payments to or for them. The names of all persons who held office during the year must be reported in item 24 regardless of whether or not they received any payments from the union.

All direct disbursements to your union's officers and some indirect disbursements made by your organization on behalf of its officers must be included in the amounts reported in item 24. 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) 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 Expenses). None of the payments received by Local officers in 2004 were reported on the LM-3 report.

The CAP disclosed that there were two checks written to cash in 2004 and supporting documentation was not maintained. The Local should not write checks to cash.

It will be necessary for Local 1731 to file an amended LM-3 report for 2004 to correct the deficient items discussed above. The necessary reporting forms and instructions are enclosed for your use. You may also use the new electronic forms software available from OLMS to complete the amended reports. The amended report should be submitted to this office at the above address. Before mailing, review the reports thoroughly to be sure they are complete, accurate, and signed properly with original signatures.

The CAP disclosed a violation of LMRDA section 201(a) which requires that unions submit a copy of their current constitution and bylaws with its LM report when bylaw changes are made. OLMS does not have a current constitution and bylaws on file for Local 1731. As agreed, Local 1731 will file two copies of its current bylaws with this agency along with the amended LM-3 report.

Section 502 (Bonding) of the LMRDA requires that the union's officers and employees be bonded for no less than 10% of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 1731's officers and employees are currently bonded for \$5,000. Due to the amount of funds handled in 2004 the union is very close to being in violation of Section 502. Local 1731 is advised to increase their bond coverage to avoid any future violations.

I want to extend my personal appreciation for you and your Local's cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

FCC

Investigator