

U.S. Department of Labor

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June 29, 2007

Mr. Paul Ebhardt, President
American Federation of Government Employees, AFGE
Local 2272
P.O. Box 1919
Washington, DC 20013

LM File Number 501-523

Case Number: [REDACTED]

Dear Mr. Ebhardt:

This office has recently completed an audit of American Federation of Government Employees (AFGE) Local 2272 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) and the Civil Service Reform Act (CSRA). As discussed during the exit interview with former President [REDACTED], and you on June 28, 2007, 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 2272's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 2272 did not retain adequate documentation for reimbursed expenses incurred by then President [REDACTED] totaling at least \$1,411. For example, there was a check to [REDACTED] for \$1,000. However, there was nothing in the union's records to indicate why this money was paid to [REDACTED]. [REDACTED] contended that he was paid this \$1,000 as reimbursement for expenses he incurred in conjunction with a convention he attended in the year 2000. Neither [REDACTED] nor the union, however, retained any records to support this contention. It is noted that [REDACTED] repaid \$1,000 to the union during the audit in an effort to resolve any question concerning the propriety of the payment. In addition, there was a check to Sprint for \$411 for [REDACTED] cellular telephone bill. There were no statements from Sprint to support this payment. The union must maintain the entire cellular telephone bill, including the list of itemized calls.

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. Union Records

In the opening interview, Local 2272 advised that the union only keeps records for one year. As previously noted above, labor organizations must retain all receipts and disbursements records for at least five years after the LM report is filed.

Based on your assurance that Local 2272 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 2272 for fiscal year ending March 31, 2006, was deficient in the following areas:

1. Disbursements to Officers

Local 2272 did not include the reimbursements to then President Roney totaling at least \$1,411 in the amounts reported Item 24 (All Officers and Disbursements to Officers). The union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 2272 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. Disbursements to Employees

Local 2272 did not include the payments to its part-time employees, Lynette Roney and Danielle Flythe, totaling at least \$3,881 in Item 46 (To Employees). The union must report payments to part-time and full-time employees in Item 46.

3. 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 2272 amended its constitution and bylaws in 1980, but did not file the required copies with its LM report for that year. Local 2272 has now filed a copy of its constitution and bylaws.

Local 2272 must file an amended Form LM-3 or LM-4 for fiscal year ending March 31, 2006, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions are available on the OLMS website (www.olms.dol.gov). The amended LM report should be submitted to this office at the above address as soon as possible, but not later than July 20, 2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Issues

The audit disclosed the following other issues:

1. Countersignature

During the audit, [REDACTED] advised that Treasurer William Penn gave him the authority to sign his name on all necessary union documents, including the LM report and union checks. 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, signing for the treasurer does not attest to the authenticity of a completed check and completely circumvents and undermines the whole purpose of the countersignature requirement. I recommend that Local 2272 review these procedures to improve internal control of union funds.

2. Retired Officer Handling Union Funds

During the audit, it was disclosed that former President [REDACTED] is still a signatory on the union's bank account and still controls the union's finances. We strongly recommend that one of the current officers take control of the union's finances and the union bank account be updated to include only current officers.

3. Approval of Expenses

The Local 2272 constitution and bylaws states that expenditures in excess of \$250 per month must have prior approval by the local membership. During the audit, Local 2272 advised that the president has the authority to approve all expenses and that nothing is taken to the membership for approval. The audit confirmed that all union expenses over \$250, including the ones to or on behalf of the president, were approved only by the president. We strongly recommend that Local 2272 follow its constitution and bylaws and obtain membership approval before any expenditure in excess of \$250 is made. Also note that the union must keep a record, such as meeting minutes, to report any disbursement authorizations made at executive board or membership meetings.

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]
Investigator

cc: William Penn, Treasurer