

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Washington District Office
800 North Capitol Street NW
Room 120
Washington, DC 20002-4244
(202)513-7300 Fax: (202)513-7301



December 23,2008

Mr. Todd Loveless, Treasurer
American Federation of Government Employees
Local 2419
9000 Rockville Pike
Building 31, Room B-4 W05
Bethesda, MD 20892

LM File Number 502-116

Case Number: [REDACTED]

Dear Mr. Loveless:

This office has recently completed an audit of American Federation of Government Employees (AFGE) Local 2419 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 on September 30,2008, 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.

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 2419's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed, Debit Card, and Per Diem Expenses

Local 2419 did not retain adequate documentation for debit card expenses, reimbursed expenses and per diem received by union officers. For example, union officers received a per diem for meals and other expenses for local travel. However, there was nothing in the union's records to indicate where the officers traveled and the reason for the travel.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements, as well as records to indicate the nature of the union business requiring the disbursement. 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. Meal Expenses

Local 2419 did not require officers to submit itemized receipts for meal expenses. The union must maintain itemized receipts provided by restaurants to officers. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

In addition, Local 2419 records of meal expenses did not always 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. Failure to Maintain Records

Local 2419 failed to maintain dues check-off reports, deposit slips, records related to purchases of cell phones and cell phone plans, receipts for purchases for the union's holiday party, records regarding a payment to an arbitrator, and records for other union expenses. In addition, the Local 2419 Executive Board approved expenses via email and the union did not maintain the emails. All union receipt and disbursement records must be maintained.

Based on your assurance that Local 2419 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 2419 for fiscal year ending December 31,2006, was deficient in the following areas:

1. Dues Receipts Incorrectly Reported

Local 2419 did not report in Item 38 (Dues) of the LM-3 report all of the dues received during the audit period. The audit revealed that Local 2419 received \$42,292 in dues during the audit year. However, Local 2419 only reported \$40,695 in Item 38 of the LM-3 report for fiscal year ending December 31,2006. All dues received during the fiscal year must be reported in Item 38.

2. Disbursements to Officers

Local 2419 made three payments to Shop Steward Dorothy Martin totaling \$423 for union business. However, Local 2419 reported in Item 24 (All Officers and

Disbursements to Officers) on the LM-3 report that Martin received \$520 during the audit period. The LM-3 report must accurately reflect all payments that were made to officers during the audit year.

The union must report most direct disbursements to Local 2419 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).

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 2419 amended its constitution and bylaws in 1999, but did not file the required copies with its LM report for that year. Local 2419 has now filed a copy of its constitution and bylaws.

Local 2419 must file an amended form LM-3 for fiscal year ending December 31, 2006 to correct the deficient items discussed above. Local 2419 has already filed this amended report.

Other Violations

1. Loans to Officers

AFGE Local 2419 made a loan of \$2,088 to then Local 2419 President Richard Laubach in January 2006. Section 503 prohibits loans from a labor organization to an officer or employee in excess of \$2,000. The loan to then President Laubach was

therefore illegal. Local 2419 should not make any loans to officers or employees that exceed \$2,000 in the future. In addition, if a loan is made, OLMS strongly suggests that a loan agreement be signed and proper approval be obtained.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 2419 does not have 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. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Signatures on Checks

The AFGE Constitution requires all local union checks to be signed by the treasurer and president. The audit revealed that several union checks only contained one signature. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. I strongly recommend that Local 2419 make sure that all future checks contain two signatures.

3. Deposits

The audit revealed that some dues checks were not deposited into the union's bank account until several months after they were received. OLMS strongly recommends that all deposits be made as soon as possible after the receipt of money as this is an effective internal control of union funds.

4. Approval for Disbursements Over \$500

The AFGE Local Union Uniform Bylaws require membership approval for union disbursements of over \$500 that are not included in the budget. Since Local 2419 did not have a budget, all disbursements over \$500 should have been approved by the membership. During the audit period, the union made several disbursements of more than \$500 that were not approved by the membership. OLMS strongly recommends that Local 2419 follow the Bylaws and obtain approval for all disbursements over \$500.

Mr. Todd Loveless
December 23,2008
Page 6 of 6

I want to extend my personal appreciation to American Federation of Government Employees (AFGE) Local 2419 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