

U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
Denver District Office
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Denver, Colorado 8020-6550



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September 15, 2005

Mr. Brian Friel, Treasurer
American Federation of Government Employees, AFL-CIO
Local Union 3607EPA
Post Office Box 1616
Denver, Colorado 80206-1616

Re:

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Dear Mr. Friel:

This office recently completed an audit of American Federation of Government Employees, AFL-CIO, Local Union 3607EPA 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 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 disclosed a violation of LMRDA section 201(b), because the Labor Organization Annual Report (Form LM-3) filed by AFGE Local Union 3607 for fiscal year ending December 31, 2004 was deficient in the following area. AFGE Local Union 3607 included transferred funds (redeposit of cash withdrawn from the money market account) as a cash receipt.

I am not requiring that AFGE Local Union 3607 file an amended LM-3 report for 2004 to correct the deficient items, but as agreed, your union will properly report the deficient items on all future reports filed with this agency.

The LMRDA requires labor organization to file annual reports within 90 days after the end of its fiscal year. AFGE Local Union 3607 filed delinquent LM-3 reports for the past 7 years. **You** promised to file AFGE Local Union 3607's 2005 report timely.

The CAP disclosed Union officers and employees failed to retain adequate documentation for reimbursed expenses paid by the union. With respect to documentation retained in support of specific disbursements, 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.

As agreed, if AFGE Local Union 3607 maintains adequate documentation for its disbursements in the future, no additional enforcement action will be taken regarding this violation.

The audit revealed a violation of LMRDA Section 502 (Bonding), which 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. AFGE Local Union 3607 officers and employees are currently bonded for \$5,000, but they must be bonded for at least \$6,000. The union should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained.

Other observations: AFGE Local Union 3607 did not keep voided check number ~~4~~ All voided checks should be kept.

AFGE Local Union 3607 did not reconcile its checking account or money market account during the year ended December 31, 2004. As a result, one check failed to clear the checking account due to insufficient funds in AFGE Local Union 3607's checking account. This is not a sound fiduciary practice.

Several of AFGE Local Union 3607's record keeping practices cluttered the audit trail. During the year ended December 31, 2004, AFGE Local Union 3607 travelers submitted "travel vouchers" in a variety of formats including scraps of paper and the back of envelopes. This practice makes auditing cumbersome. AFGE Local Union 3607 did not annotate all vendor invoices with the check number and date of payment when it made the payments. This practice makes reconciling vendor receipts to payments difficult. Several vendors printed receipts on thermal paper. The vendor receipts deteriorated to unreadable.

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

Sincerely,

7(c)
Investigator

cc: David Christensen