

U.S. Department of Labor

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April 28, 2008

Mr. Dave Holtsclaw, President
AFGE Local 1415
300 Highway 361, Building 39
Crane, IN 47522

LM File Number: 502-192
Case Number: [REDACTED]

Dear Mr. Holtsclaw:

This office has recently completed an audit of American Federation of Government Employees Local 1415 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Civil Service Reform Act of 1978 (CSRA), 5 U.S.C. 7120, and the Department's regulations, 29 CFR 458. As Investigator [REDACTED] discussed during the exit interview with you and Financial Secretary Don Carter on March 6, 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 1415's 2006 records revealed the following recordkeeping violations:

1. General Records

The audit disclosed a violation of LMRDA Section 206 that requires, in part, that adequate records be maintained to verify, support, and clarify all union disbursements. Investigator [REDACTED] found that check number 8908 payable to Club Lakeview for \$36.00, was not documented with a receipt; there were no vouchers for check numbers 8971, 8972, and 8973 for union trips taken by President Bill Mason, Financial Secretary Dave Holtsclaw, and former Vice President of Navy Don Carter to the VPPPA Conference in Orlando, FL; and there were no executive board meeting minutes for the audit period.

As 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. Meal Expenses

Local 1415's records of meal expenses did not include written explanations of the 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.

Based on your assurance that Local 1377 will retain adequate documentation in the

future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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 violations of this requirement. The Labor Organization Annual Report Form LM-3 filed by Local 1415 for fiscal year ending December 31, 2006, was deficient in the following areas:

1. 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 a labor organization 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 1415 amended its bylaws in 2004, but did not file the required copies with its LM report for that year. Local 1415 has now filed a copy of its bylaws with OLMS.

2. Failure to Report Interest on LM Report

Local 1415 failed to report on the 2006 Form LM-3 the interest that was earned on its savings account.

Other Violation

The audit also disclosed that Local 1415 was not adequately bonded. Pursuant to 29 C.F.R. Section 458.35, officers and employees of any labor organization subject to the CSRA are required to be bonded in accordance with Section 502(a) of the LMRDA. This provision requires that union officers and employees be bonded for no less than 10% of the total funds those individuals or their predecessors handled during the preceding fiscal year. Officers and employees of Local 1415 are currently bonded for \$25,000; however, they must be bonded for at least \$30,000.

The audit revealed that Local 1415's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issue

Local 1415 did not maintain an inventory of its fixed assets during the 2006 audit year. An inventory should be kept to verify, support, and clarify the amounts reported in item 29 of the LM-3 report. The inventory kept by the union should record a detailed description of what was purchased, the date of the purchase, the amount of the purchase and the depreciated value. The report should be kept with the union records.

I want to extend my personal appreciation to AFGE Local 1415 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,

Lesta A. Chandler
District Director