

U.S. Department of Labor

Office of Labor-Management Standards
Milwaukee District Office
310 W. Wisconsin Avenue, Suite 1160W
Milwaukee, WI 53203-2213
(414)297-1501 Fax: (414)297-1685



March 8, 2010

Mr. John Wooderick, President
Government Employees AFGE Local 1732
2500 Overlook Terrace
Madison, WI 53705

LM File Number: 501-903
Case Number: [REDACTED]

Dear Mr. Wooderick:

This office has recently completed an audit of Government Employees AFGE Local 1732 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, Vice President Ian Smith, Treasurer Ann Chambliss, former President Jerry Hansen, and former Treasurer James Montgomery on March 5, 2010, 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 1732's 2008 and some 2009 records revealed the following recordkeeping violations:

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

Local 1732 did not retain adequate documentation for reimbursed expenses incurred by officers and employees totaling at least \$1,500. For example, former President Jerry Hansen was reimbursed \$340 for "Airline Tickets for AFGE conference." However, no supporting documentation was retained. In addition, at least \$900 was disbursed to officers and employees for per diem for training, but adequate records were not retained. The only records retained to support these expenses check stubs and canceled checks. In the case of per diem payments to officers for travel on union business, Local 1732 must maintain records which identify the business purpose of each trip, the dates of travel, the destination, and the per diem rate paid.

In May 2009, Local 1732 obtained a credit card for use of its officers. Local 1732 failed to retain adequate documentation for credit card expenses incurred by Mr. Hansen and former Secretary Treasurer James Montgomery totaling at least \$10,000. For example, lodging expenses totaling at least \$2,800 were charged to the credit card, but no hotel receipts were retained. Local 1732 retained the credit card statements showing the charges incurred, but retained no other records of any kind that identified the union business conducted that required the expenses be incurred or the names of the persons who incurred the expenses. Credit card statements alone are not sufficient to fulfill the recordkeeping requirements.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

During the exit interview, I provided a sample of an expense voucher Local 1732 may use to satisfy the recordkeeping requirements. The sample identifies the type of information and documentation that the local must maintain for officer expenses.

2. Receipt Dates and Sources not Recorded & Dues Deduction Reports

Entries in Local 1732's check register reflect the date money was deposited and do not identify the date money was received, the sources of the payments, or the individual amounts. Receipts records must show the date, amount, and source of all receipts. Further, Local 1732 failed to retain at least half of its employer dues deduction reports which would have identified the date, source and amount of most of the payments received. The date of receipt is required to be recorded in union records to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in reporting some receipts on the LM-3 for a different year than the year it actually received them.

3. Other Expenses

Adequate documentation was not retained for some disbursements related to office supplies, travel, training, and other expenses totaling at least \$6,200. For example, Local 1732 disbursed over \$1,000 to the United States Postal Service for stamps and over \$1,200 to the Best Western for a stewards training. However, no receipt or other supporting documentation could be found in the records for those disbursements. As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements.

4. Bank Statements, Canceled Checks, & Voided Checks

Local 1732 failed to retain a bank statement and canceled checks for its checking account for November 2008. In addition, Local 1732 failed to maintain any records for its savings and certificate of deposit accounts. Furthermore, during the audit, past Secretary Treasurer James Montgomery stated that he destroyed all voided checks.

Bank statements and checks are legal instruments that, when used, create a transaction required to be reported on a Labor Organization Annual Report. Bank statements, canceled and voided checks are required to be retained to verify, clarify, and support the information reported by labor organizations on LM reports.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1732's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 1732 for fiscal year ended December 31, 2008, was deficient in the following areas:

1. Disbursements to Officers

Local 1732 did not include some reimbursements to officers totaling at least \$2,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). For example, Mr. Hansen received at least \$1,000 in reimbursed expenses during 2008 but only \$210 is reported next to Mr. Hansen's name in Item 24, Column E (Allowances & Other Disbursements). It appears these payments were erroneously reported in Item 48 (Office & Administrative Expenses).

Most direct disbursements to Local 1732 officers and some indirect disbursements made on behalf of its officers must be reported 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. Statement A (Cash Balances)

It appears that the cash figures reported in Item 25 are not the cash figures according to the union's books after reconciliation to the bank statements. The check stubs and register state Local 1732's beginning cash balance is \$16,201. However, only \$15,786 is reported in Item 25A. Local 1732's records indicate the ending cash balance is \$39,471, but \$65,626 is reported in Item 25B. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

3. Statement B (Receipts & Disbursements)

Local 1732 misreported receipts by at least \$39,986 and misreported disbursements by at least \$10,550. Local 1732's check register shows \$70,118 was received during 2008. However, the amount reported in Item 44 (Total Receipts) is \$110,118. The check register shows \$49,714 was disbursed during 2008. The amount reported in Item 55 (Total Disbursements) is \$60,266. Mr. Hansen and Mr. Montgomery stated that per capita disbursements were erroneously reported as a receipt in addition to a disbursement.

Local 1732 must file an amended Form LM-3 for fiscal year ended December 31, 2008, 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 Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than March 29, 2010. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Other Violation

Inadequate Bonding

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 1732 are currently bonded for \$7,500; however, they must be bonded for at least \$9,000. The audit revealed that Local 1732's officers and employees were not bonded for the minimum amount required at the time of the audit. However, evidence that adequate bonding coverage has since been obtained has been provided to OLMS. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issue

Personal use of Credit Cards

The audit revealed that Local 1732 obtained a credit card in April 2009, and during that year permitted you to use the union credit cards to pay for personal expenses. Although you promptly repaid Local 1732 for the personal expenses charged, OLMS does not recommend policies that allow personnel to make personal purchases with union credit cards because this may lead to misuse of union funds.

In addition, since these payments are considered indirect disbursements for reporting purposes and must be included in the amount reported next to your name in Item 24, Column F (Allowances and Other Disbursements) on your LM report for fiscal year ended December 31, 2009. The repayments made by you to Local 1732 must be reported in Item 44 (Other Receipts) for fiscal year ended 2009. OLMS recommends that Local 1732 review its disbursement policies and expenses review procedures to improve internal control of union funds.

I want to extend my personal appreciation to Government Employees AFGE Local 1732 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

cc: Mr. Ian Smith, vice president
Ms. Ann Chambliss, treasurer
Mr. Jerry Hansen, former president
Mr. James Montgomery, former treasurer