



September 30, 2010

Mr. Ken Maglicic, Treasurer  
AFGE Local 2089  
22118 Sandy Lane  
Fairview Park, OH 44126

Case Number: [REDACTED]  
LM Number: 501-272

Dear Mr. Maglicic:

This office has recently completed an audit of AFGE Local 2089 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 and President Robert Tucker on September 29, 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 2089's 2010 records revealed the following recordkeeping violation:

### Accuracy of Union Financial Records

Due to computational errors, entries in Local 2089's check register do not accurately reflect the running balance and the total end of year balance of the union's assets. To satisfy the LMRDA recordkeeping requirement the union must keep on hand all financial records and an accurate accounting of all account balances so that all union expenses and receipts can be verified, explained, and clarified.

Based on your assurance that Local 2089 will retain accurate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

### Other Violations

The audit disclosed the following 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 2089 are currently bonded for \$20,000; however, they must be bonded for at least \$21,250.

Per our discussion during the exit interview, Local 2089 has initiated the process to obtain adequate bonding coverage for its officers and employees. Please provide proof of the increased bonding coverage to this office as soon as possible, but not later than October 15, 2010.

### Other Issues

#### 1. Signing Blank Checks

During the audit, it was revealed that the union signs blank checks in advance so that President Tucker is able to issue new member incentive checks while traveling. Your union's bylaws require that all checks be signed by the president and treasurer. 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. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 2089 review these procedures to improve internal control of union funds.

#### 2. Duplicate Receipts

Retired members of Local 2089 pay dues directly to the union, which are recorded in the union's deposit ledger. However, no duplicate receipts are issued. OLMS recommends that Local 2089 use a duplicate receipt system where the union issues original pre-

numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to AFGE Local 2089 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. Robert Tucker, President