

U.S. Department of Labor

Office of Labor-Management Standards
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February 11, 2011

Mr. Joe Osenbaugh, President
AFGE AFL-CIO Local 2466
1108 Crooked Creek Drive
Lufkin, TX 75904

Case Number: [REDACTED]
LM Number: 501690

Dear Mr. Osenbaugh:

This office has recently completed an audit of AFGE AFL-CIO Local 2466 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 discussed during the exit interview with you and Treasurer LaVerne Alexander on January 13, 2011, 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 2466's 2010 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 2466 did not retain adequate documentation for reimbursed travel expense incurred by Joe Osenbaugh totaling at \$92.00. The receipt maintained in the union's records was for \$111.87. There were also no details concerning the purpose of the travel reimbursement expense located in the union's records.

As previously 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. Failure to Record Receipts

Local 2466 did not record in its receipts records the interest earned on certificates of deposit totaling \$285.28. The union also failed to accurately record dues received from retirees. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

Based on your assurance that Local 2466 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 on Local 2466's 2010 records disclosed a violation of this requirement on the Labor Organization Annual Report Form LM-4 filed by Local 2466 for fiscal year ending December 31, 2009. The Labor Organization Annual Report Form LM-4 filed by Local 2466 for fiscal year ending December 31, 2009, was deficient in the following areas:

1. Cash Reconciliation

It appears that the cash figures reported in Items 17 and 18 are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Items 17 and 18 states that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

Local 2466 was required to file an amended Form LM-4 for fiscal year ending December 31, 2009, to correct the deficient item 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). During the closing interview, you completed the amended Form LM-4 for 2009.

2. 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 2466 amended its constitution and bylaws in 1984, but did not file the required copies with its LM report for that year.

Local 2466 has now filed a copy of its constitution and bylaws.

Other Issues

1. Signing Blank Checks

During the audit, you advised that you signs blank checks. 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 2466 review these procedures to improve internal control of union funds.

2. Former Union Officers Were Signatories on the Union's Bank Account

During the audit, it was discovered that former officer [REDACTED] remained as a signatory on the union's checking account at Huntington State Bank. OLMS recommends removing all former officers off of the union's bank account as soon as they are no longer approved to use the union's bank accounts.

I want to extend my personal appreciation to AFGE AFL-CIO LU 2466 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: LaVerne Alexander, Treasurer