

**U.S. Department of Labor**

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



March 13, 2008

Ms. Roberta Sharbutt, President  
Government Employees AFGE Local 3  
5000 W. National Avenue, Lock Box 133  
Milwaukee, WI 53925

LM File Number: 542-534  
Case Number: [REDACTED]

Dear Ms. Sharbutt:

This office has recently completed an audit of Government Employees AFGE Local 3 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, Treasurer Leo Dunton, and Recording Secretary Julie Kohlhepp on the above date, 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 3's 2007 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 3 did not retain adequate documentation for reimbursed expenses incurred by you and other officers totaling at least \$10,012.15. For example, you charged \$4,041 to your personal credit card for seven hotel rooms associated with the AFGE District 7 Conference for various officers and members; however, no hotel folios were maintained. As another example, two checks totaling \$800 were written to you for "office supplies" and "miscellaneous." However, no supporting documentation could be found in the records.

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. Receipt Dates and Sources not Recorded

Entries in Local 3's general ledger reflect biweekly aggregated receipt totals and do not identify the date money was received, the sources, or the individual amounts. Receipts records must show the date, amount, and source of all receipts. The date of receipt is required 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.

Based on your assurance that Local 3 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 disclosed a violation of this requirement. The Labor Organization Annual Report (Form LM-3) filed by Local 3 for fiscal year ending September 30, 2007 was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 3 did not include any reimbursements to officers (totaling at least \$26,720.78) in Item 24 (All Officers and Disbursements to Officers) or Item 46 (To Employees). For example, you received at least \$22,145.33 in reimbursed expenses. However, nothing was reported in Column E (Allowances and Other Disbursements). As another example, Chief Steward Alles received at least \$1,554.00 in reimbursed expenses but nothing was reported in Item 46 (To Employees). It appears that Local 3 erroneously reported these payments in Item 54 (Other Disbursements).

Local 3 must report most direct disbursements to officers and some indirect disbursements made on behalf of its officers in Column E of Item 24 (Allowances and Other Disbursements). 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 B (Receipts & Disbursements)

Local 3 misreported receipts by at least \$4,705 and disbursements by at least \$9,035. Local 3's general ledger showed that Local 3 incurred additional receipts and

disbursements which were not reported on the LM-3. You and Mr. Dunton advised that Local 3 offers new employees at the VA Medical Hospital \$50 (cash) to join the union. Current members or officers who enroll new members receive \$20 for each new member recruited. Government Employees International Union reimburses Local 3 a portion of the \$50 member incentive. It appears the payments and reimbursements were not included in the amounts reported in Statement B.

The purpose of Statement B (Receipts & Disbursements) is to report the flow of cash in and out of your organization during the reporting period. Since Statement B reports all cash flowing in and out of your organization, "netting" is not permitted. "Netting" is offsetting of receipts against disbursements and reporting on the balance (net) as either a receipt or disbursement. The amount received from Government Employees International Union for new member incentives should have been reported in Item 43 (Other Receipts). The amount disbursed either to the officer or the member should have been included in the amounts reported in Item 45 (To Officers), Item 48 (Office & Administrative Expenses), and/or Item 54 (Other Disbursements) depending on the type of expenses.

Local 3 must file an amended Form LM-3 for fiscal year ending September 30, 2007, 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](http://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 April 11, 2008. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

#### Other Violations

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 3 are currently bonded for \$5,000 however; they must be bonded for at least \$18,000.

The audit revealed that Local 3's officers and employees were not bonded for the minimum amount required at the time of the audit. However, Local 3 obtained adequate bonding coverage and provided evidence of this during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

### Other Issues

#### 1. Cash Disbursements for Membership Incentives

During the audit, you advised that when a potential member attends new employee orientation he or she is offered \$50 cash to join the union. Before the new orientation meeting, you or Chief Steward Richard Alles receive a union check, cash the check and give \$50 to each individual who join Local 3. Excess cash is redeposited into Local 3's checking account.

OLMS recommends that all disbursements be by check directly to the individual receiving the funds in order to ensure internal control over disbursements. As previously noted, since the payee of these checks is an officer (you) or an employee (Mr. Alles), the member incentives are considered direct 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) or in the case of Mr. Alles, Item 46 (To Employees). Note that a check made payable to "cash" and cashed by an officer must also be reported as a payment to that officer. OLMS recommends that Local 3 review these procedures to improve internal control of union funds.

#### 2. Duplicate Reimbursed Expenses

The audit revealed that in two instances you received duplicate payments for the same expense. On February 6, 2007, check number [REDACTED] reimbursed you for expenses related to a delinquent Cingular account in the amount of \$436.54. You charged this expense to your personal credit card and submitted the original invoice with your expenses claim. On March 1, 2007, you submitted your personal credit card statement and were reimbursed for the same Cingular expense. This duplicate payment was subtracted from the following expense voucher on April 4, 2007.

As another example, the union purchased a digital camera in the amount of \$294.98 from the Veteran Affairs Hospital Canteen. This was charged to your personal credit card. The original invoice was submitted and paid by check number [REDACTED]. Subsequently, on May 7, 2007 (check number 1956), you submitted your personal credit card statement and were reimbursed for the camera a second time. This duplicate payment was subtracted from the following expense voucher on May 16, 2007.

In both instances, it was determined that vendors would have accepted union checks and did so other times in the year. OLMS recommends, when possible, that checks be written directly to vendors. As noted above, since the payee of these checks is an officer, the reimbursements are considered direct 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). If the disbursements were written directly to the vendor these disbursements would be reported in Item 48 (Office & Administrative Expenses) or Item 54 (Other Disbursements). OLMS recommends that Local 3 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 3 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. Leo Dunton, Treasurer  
Ms. Julie Kohlhepp, Recording Secretary