



March 28, 2014

Dwight Donatto, President
AFGE, AFL-CIO Local Union 1234
3456 North Camino Del Rio, Suite 210
San Diego, CA 92018

Case Number: 520-5213447 [REDACTED]
LM Number: 543-624

Dear Mr. Donatto:

This office has recently completed an audit of American Federation of Government Employees, AFL-CIO, Local Union 1234 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 C.F.R. 458. As discussed during the exit interview with you and Acting Secretary-Treasurer Kenneth Wymer on August 23, 2013, 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 established 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 organizations 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 1234's 2011 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 1234 did not retain adequate documentation for reimbursed expenses and credit

card expenses incurred by union officers totaling at least \$16,130. For example, there were no receipts for 95 credit card expenses by officers for hotels, airlines, and office supplies.

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, how are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Disposition of Property

Local 1234 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

The union must record in at least one record the date and amount received from each sale of union hats, jackets, and other items.

3. Failure to Record Receipts

Local 1234 did not record in its receipts records some employer dues checkoff checks and some checks received from banks for interest earned on certificates of deposit totaling at least \$10,050.23. For example, there were two deposits that were made into Local 1234's bank account that were not accounted for in the union's receipt records. Union receipt 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.

Reporting Violations

Pursuant to 20 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 1234 for the fiscal year ended December 31, 2011, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 [LM-3] (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away promotional items totaling more than \$21,526.35

during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Local 1234's books after reconciliation to the bank statements. 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. Failure to File

The audit disclosed that Local 1234 failed to file their Form LM-3 Report for fiscal year ending December 31, 2012. The law requires the president and treasurer, or corresponding principal officer to file an annual financial report with OLMS within 90 days after the end of its fiscal year.

Local 1234 has now filed its Form LM-3 Report for the fiscal year ending December 31, 2012.

Local 1234 has filed an amended Form LM-3 for the fiscal year ended December 31, 2011, to correct the deficient items discussed above. Local 1234 has also agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you and Acting Secretary-Treasurer Kenneth Wymer, the audit revealed that Local 1234 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Use of Signature Stamp

During the audit, Acting Secretary-Treasurer Kenneth Wymer advised that it is Local 1234's for both the president and secretary-treasurer to sign all union checks, and to stamp the signature of the Secretary-Treasurer Wymer on union checks. Wymer indicated that no one but the president and Wymer reviews the checks before they are issued. Article V, Section 2 of Local 1234's bylaws requires that checks be signed by the

secretary-treasurer and counter signed by the president. 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, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1234 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to AFGE Local Union 1234 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,

[REDACTED]

Investigator

cc: [REDACTED]