



July 8, 2022

James Pierce, President  
Government Employees AFGE AFL-CIO  
Local Union 1770  
2655 Reilly Road  
P.O. Box 70027  
Ft. Bragg, NC 28307-0027

Case Number: 410-6023145( )  
LM Number: 501332

Dear James Pierce:

This office has recently completed an audit of Government Employees AFGE AFL-CIO Local Union 1770 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, Treasurer Michael Staab, and members of the executive board on June 3, 2022, 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 1770's FY2020 records revealed the following recordkeeping violations:

### General Reimbursed and Debit Card Expenses

Local 1770 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$2,712.80. For example, on February 18, 2020, debit card x6052 was used to make two separate transactions for \$1,356.40 each at the Hyatt Regency Hotel. There were no invoices or union travel vouchers to support the transactions. Executive board and general membership meeting minutes did not discuss the authorization for disbursements.

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.

### Petty Cash Fund

Local 1770 maintained a petty cash fund of at least \$695.41 in cash with no documentation showing a balance or reconciliation. The petty cash fund did not have a ledger noting deposits or withdrawals from the funds. Further, the petty cash fund lacked documentation to detail the source of the money. There was no union policy stating limits on the amount of money to be held in the petty cash fund, nor was there a policy for what types of expenses petty cash funds were permitted to be disbursed. No receipts or invoices were in the petty cash fund to document expenses.

Based on your assurance that Local 1770 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-2 filed by Local 1770 for the fiscal year ended December 31, 2020, was deficient in the following areas:

### Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the correct figures according to Local 1770'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.

The Form LM-2 for fiscal year ending December 31, 2020 revealed a cash reconciliation imbalance of \$43,300.00. The amount reported in Line 22(A) did not account for cash in the union's savings account. The amount listed in Line 36 accounted for more than what was listed

in the union's bank statements and books for total annual receipts. Additionally, Local 1770 did not account for outstanding checks written by the union which were taken off of the union's books.

Local 1770 must file an amended Form LM-2 for the fiscal years ended December 31, 2020 and December 31, 2021 to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). The amended Form LM-2 must be filed no later than July 18, 2022. Before filing, review the report thoroughly to be sure it is complete and accurate.

I want to extend my personal appreciation to Government Employees AFGE AFL-CIO Local Union 1770 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator