

U.S. Department of Labor
Employment Standards Administration
Office of Labor-Management Standards
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May 16, 2008

Ms. Aide H. Spade, Secretary-Treasurer
Government Employees, AFGE, AFL-CIO
Prison Local Union 709
9595 West Quincy Avenue
Littleton, CO 80123-1159

RE: LM File Number: 502-138
Case Number: |||

Dear Ms. Spade:

This office has recently completed an audit of Government Employees, AFGE, AFL-CIO, Prison Local 709 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 on April 23, 2008, 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. The audit disclosed the following violations.

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 709's 2005 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 709 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by union officers and employees totaling at least \$8,796.95. For example, the check register showed credit card charges were incurred for officers' travel expenses and office supplies, but the supporting documentation was incomplete such as, some charges were supported with credit card statements but no receipts, and some charges were supported with receipts but no credit card statements.

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. Meal Expenses

Local 709 did not require officers and employees to submit itemized receipts for meal expenses. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 709 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, charges were placed at several different local restaurants with no identification as to those who benefited and the union purpose. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Failure to Record Receipts and Financial Accounts

Local 709 did not record in its receipts records interest earned on certificate of deposit totaling at least \$33.77. Local 709 did not record share certificate of deposit account number ||| and account number ||| in any of its Quicken printouts. Share certificate of deposit account number ||| was recorded as share certificate of deposit account number ||| in the Quicken printouts. 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 funds.

4. Information not Recorded in Meeting Minutes

The audit disclosed that Local 709 maintained no minutes for general membership meetings for January 2005, through September 2005. AFGE Local 709 Bylaws Section 12. (a) states, in part, that the "Secretary shall take minutes of each regular and special meeting and maintain the minutes of the Local." AFGE Local 709 Bylaws Section 19, states, in part, that "All expenditures authorized by the Executive Committee will be reported in writing at the next regular meeting of the Local. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 709 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 709 for fiscal year ending December 31, 2005, was deficient in the following areas:

1. Disbursements to Officers

Local 709 did not report reimbursements and payments to officers in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48.

The union must report most direct disbursements to Local 709 officers and some indirect disbursements made on behalf of its officers in Item 24. 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. Cash Reconciliation

It appears that the cash figures reported in Item 25 are not the cash figures according to the union'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. Professional Fees and Benefits

Local 709 did not report payments for professional fees in Item 49 (Professional Fees) and dental benefits in Item 50 (Benefits). It appears the union erroneously reported these payments in Item 48.

OLMS is not requiring that Local 709 file an amended LM report for 2005 to correct the deficient items, but Local 709 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

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 709 are currently bonded for \$7,500; however, they must be bonded for at least \$10,535.26.

The audit revealed that Local 709's officers and employees were not bonded for the minimum amount required at the time of the audit. However, the union obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

I want to extend my personal appreciation to Government Employees, AFGE, AFL-CIO, Prison Local 709 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,

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Investigator

cc: Mr. Robert Neal, President