



February 2, 2016

Mr. Chuck Conger, President  
AFGE Local 2119  
P.O. Box 818  
Moline, IL 61266-0818

Case Number: 310-6003974  
LM Number: 528330

Dear Mr. Conger:

This office has recently completed an audit of AFGE Local 2119 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 January 6, 2016, 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 2119's records for fiscal year ending June 30, 2014, revealed the following recordkeeping violations:

## General Union and Credit Card Expenses

Local 2119 did not retain adequate supporting documentation for at least eight disbursements by check totaling approximately \$7,600.00 and at least 26 credit card expenses incurred by union officers totaling approximately \$10,480.00. For example, union check # [REDACTED] dated September 12, 2013 to [REDACTED] for \$2,950.00 and union check # [REDACTED] dated November 22, 2013 to [REDACTED] for \$2,000.00 did not have any supporting documentation such as receipts or invoices. In addition, credit card expenses dated November 14, 2013 to LRP Publications for \$825.00 and dated May 24, 2014 to Avis Car Rental for \$326.34 did not have supporting documentation.

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.

Based on your assurance that Local 2119 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 2119 for the fiscal year ended June 30, 2014, was deficient in the following areas:

#### 1. Acquire/Dispose of Property

Item 15 (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 wall calendars, t-shirts, gift cards, blankets and other gift items at the union picnic totaling more than \$6,000.00 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. Supplies for Resale

Local 2119 did not correctly report receipts for the Sale of Supplies (Item 39) and disbursements for Supplies for Resale (Item 59). During the audit period, Local 2119 disbursed at least \$900.00 for items that it re-sold to members, collecting receipts totaling no more than \$300.00. The LM-2 instructions require that the union report receipts from the sale of supplies in Item 39 (Sale of Supplies) and disbursements for supplies for resale in Item 59 (Supplies for Resale). In addition, it must report the value of any supplies for resale on hand at the beginning and end of the year in Item 28 and Schedule 7 (Other Assets).

3. Other Receipts

Local 2119 did not correctly report the amount of other receipts in Schedule 14 and Item 48 (Other Receipts). Reimbursements of at least \$4,000.00 to the union for overpayments to officers or other entities should have been properly reported in Schedule 14. The local erroneously reported these reimbursements in Item 39 (Sales of Supplies). The local should report all receipts in Schedule 14 and Item 48 from individuals and entities during the reporting period that cannot be allocated to any of the other receipts categories in Statement B.

4. “Netting” of Receipts Against Disbursements

Local 2119 did not report the disbursements to and receipts from LRP Publications for a workers comp training seminar totaling at least \$2,588.00 each in Statement B of Form LM-2. The reimbursement receipt from LRP Publications was apparently “netted” against the original disbursement and not reported on the LM-2. The LM-2 instructions require that labor organizations report all monies disbursed by the union including any portion that was later reimbursed to the union. Statement B of Form LM-2 reports all cash flowing in and out of the union. Therefore, “netting”, which is the offsetting of receipts against disbursements and reporting only the balance (net) as either a receipt or disbursement, is not permitted.

5. Failure to Itemize Disbursement

Local 2119 did not properly report a “major” transaction in Schedule 18 (General Overhead). A “major” transaction includes any individual transaction of \$5,000.00 or more or total transactions to or from any single entity or individual that aggregate to \$5,000.00 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. The audit found that the local failed to report a \$7,720.40 disbursement on June 23, 2014 to Golfmohr Golf Club on an Itemization Page. An Itemization Page must be filled out for transactions of \$5,000.00 or more to any single entity or individual.

6. 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 2119 amended its constitution and bylaws in June 2012, but did not file the required copies with its LM report for that year. Local 2119 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 2119 file an amended LM report for the fiscal year ended June 30, 2014, to correct the deficient items, but Local 2119 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other

Duplicate Receipts

Local 2119 recorded the receipts for entry fees and other items at its golf outing totaling \$4,691.00 in the union's receipts journal, but the local failed to issue duplicate receipts to the purchasers. OLMS recommends that Local 2119 use its duplicate receipt system where the union issues original pre-numbered receipts to all individuals who pay fees or purchase items from the union. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable.

I want to extend my personal appreciation to AFGE Local 2119 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: Ms. Jodi Abel, Treasurer