



May 14, 2018

Mr. Larry Sosebee, Treasurer
Government Employees (AFGE) Local 779
P.O. Box 6067
Sheppard AFB, TX 76311-0067

Case Number: 420-6010005 [REDACTED]
LM Number: 502951

Dear Mr. Sosebee:

This office has recently completed an audit of Government Employees (AFGE) Local 779 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 on May 8, 2018, 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 Violation

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that labor organizations maintain adequate records for at least five years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, labor organizations must maintain 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 779's 2016 records revealed the following recordkeeping violation:

Failure to Maintain Receipts for Disbursements

The audit of Local 779's 2016 financial records disclosed that Local 779 failed to maintain receipts for disbursements to pay expenses for Direct TV and internet services associated with its officer's cell phones.

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 779 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

Reporting Violation

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 LM-3 filed by Local 779 for the fiscal year ended June 30, 2016, was deficient in the following area:

Disbursements to Officers

The audit of Local 779's 2016 records disclosed that Local 779 failed to correctly report all direct and indirect disbursements made on behalf of its officers in Item 24E (Allowances and Other Disbursements) on Local 779's LM-3 report for fiscal year ended June 30, 2016.

The union must report most direct disbursements to Local 779 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).

Local 779 must file an amended Form LM-3 for the fiscal year ended June 30, 2016, to correct the deficient items discussed above. I encourage Local 779 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than May 29, 2018 or submitted to this office at the above address by the same date. 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) Local 779 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: Mrs. Stephanie Arens, President
Mrs. Barbara Kernott, Vice President