



October 22, 2019

Mr. Albert Burgess, President
Government Employees AFGE AFL-CIO Local 2065
PO Box 251
4124 Gum Branch Road
Jacksonville, NC 28541-0251

Case Number: 410-6015722 [REDACTED]
LM Number: 502165

Dear Mr. Burgess:

This office has recently completed an audit of Government Employees AFGE AFL-CIO Local 2065 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 and Treasurer Trudie Turner on October 9, 2019, 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 2065's 2018 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 2065 did not retain adequate documentation for reimbursed expenses, disbursements by check, and credit card expenses incurred by President Albert Burgess and Treasurer Trudie Turner totaling at least \$42,670. For example, OLMS did not find documentation for bonus bucks disbursed to some new members and recruiters; for charitable donations to OPLAMB, Boys and Girls Club, and the NAACP; and for checks written for entertainment and food for the Solidarity Ball. Further OLMS did not find documentation with sufficient details for disbursements to officers for travel expenses such as per diem and luggage fees.

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.

2. Receipt Dates not Recorded

Entries in Local 2065's receipts journal reflect the date the union deposited money, but not the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The LM-2 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

3. Destruction of Records

During the opening interview, Bookkeeper [REDACTED] advised that she deletes entries in QuickBooks for checks written to new members for bonus bucks if the new member has not cashed the check in a timely manner. Disbursement entries in union accounting software should not be deleted and doing such constitutes a destruction of records. If a check does not clear in a sufficient amount of time the union should make an adjusting entry that clearly documents the reason for the adjustment.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 2065's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in

Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 2065 for the fiscal year ended December 31, 2018, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 2065 did not list the names and titles of all of the officers who held office during the fiscal year and failed to include some payments to officers and employees in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

2. 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 2065 amended its constitution and bylaws in 2016, but did not file the required copies with its LM report for that year.

Local 2065 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 2065 file an amended LM report for 2018 to correct the deficient items, but Local 2065 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violations

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.

The audit revealed that Local 2065's officers and employees were not bonded for the minimum amount required at the time of the audit. However, Local 2065 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.

Other Issues

1. Duplicate Receipts

Some Members of Local 2065 pay dues directly to the union. Local 2065 does not consistently issue receipts to dues payers. OLMS recommends that Local 2065 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. 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. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

2. Receipts Deposited in a Timely Manner

The audit revealed that funds collected from donations and ticket sales for the Solidarity Ball in September 2018 were not deposited into the union bank account until January 2019. Additionally, it doesn't appear that check-off checks and other receipts were deposited in a timely manner. All union receipts should be deposited within a reasonable time from the date that they are received.

I want to extend my personal appreciation to Government Employees AFGE AFL-CIO Local 2065 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]

[REDACTED]

Senior Investigator

cc: Ms. Trudie Turner, Treasurer