

## U.S. Department of Labor

Employment Standards Administration  
Office of Labor-Management Standards  
Washington District Office  
800 North Capitol Street, NW, Suite 120  
Washington, DC 20002  
(202) 513-7300 / FAX: (202) 513-7301



March 9, 2007

Ralph Wright, President  
AFGE Local 1831  
6<sup>th</sup> & Constitution Avenue, NW  
Washington, DC 20565-0001

Re: Case No. [REDACTED]

Dear Mr. Wright:

This office has recently completed an audit of AFGE Local 1831 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 Secretary-Treasurer Sammie Bardley, Vice President Peter Henderson, and you on March 7, 2007, 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 29 C.F.R. §403.7 require, among other things, that adequate records be maintained for at least five (5) years after a report is filed by which the information on the report can be verified, explained and clarified. Pursuant to 29 C.F.R. §458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the CSRA as well. Therefore, as a general rule, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 1831's 2005 records revealed the following recordkeeping violations:

**Officer Expenses**

Union officers failed to maintain adequate documentation for reimbursed expenses. Receipts must be maintained for all expenses. The date, amount, and business purpose of every expense must be recorded on at least one union record. In addition, the names of individuals present for meal expenses and the locations (names of restaurants) where meal expenses were incurred must be recorded. Furthermore, some cellular phone bills paid by Local 1831 on behalf of the local were not retained. Local 1831 must retain all cellular phone bills.

**Receipts**

Local 1831 failed to maintain some dues check-off reports received from the employer. All dues check-off reports must be maintained. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date the money was received, the identity of the source of the money, and the individual amount received from each source.

**Other**

Adequate documentation was not retained for some purchases of office supplies. Receipts must be maintained for all expenses.

**Other**

The local failed to maintain adequate documentation regarding one loan that was made during the fiscal year and another loan that was received during the fiscal year. Union records must include adequate identification of each loan. The records should show the date the loan was made or received, the amount of the loan, the name of the person or entity the loan was made to or received from, and should include a signed loan agreement stating the terms and conditions of repayment. There was also no information in the union's records regarding what was done with a loan repayment received by the union during the fiscal year.

As agreed, provided that Local 1831 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

**Reporting Violations**

Pursuant to 29 C.F.R. §458.3, the reporting requirement under 29 C.F.R. §403.2 (see LMRDA Section 201(b)) 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 CAP disclosed a violation of this requirement. The Labor

Organization Annual Report (Form LM- 3) filed by Local 1831 for fiscal year ending December 31, 2005, was deficient in the following areas:

**LM-3 Item 24 (All Officers and Disbursements to Officers)**

The names of some officers and the total amounts of payments to them or on their behalf were not reported in Item 24 (All Officers and Disbursements to Officers). All persons who held office during the year must be reported in Item 24 regardless of whether or not they received any payments from the union.

**LM-3 Item 24 (All Officers and Disbursements to Officers)**

Local 1831 failed to include some reimbursements to officers and employees in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported on the report elsewhere.

All direct disbursements to Local 1831 officers and some indirect disbursements made on behalf of its officers must be reported 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. An "indirect disbursement" to an officer is a payment to another party (including credit card companies) 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 1831 must file an amended Form LM-3 for fiscal year ending December 31, 2005, to correct the deficient items discussed above. I provided you with a blank form and instructions, and discussed with you the availability of the reporting forms and instructions on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than April 13, 2007. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

**Other Violations**

The CAP disclosed the following other violation:

**Inadequate Bonding**

Pursuant to 29 C.F.R. §458.35; officers and employees of any labor organization subject to the CSRA are required to be bonded in accordance with the principles of 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 handled by those individuals or their predecessors during the preceding fiscal year. Local 1831's officers and employees are currently bonded for \$5,000, but they must be bonded for at least \$5,142.41.

Local 1831 should obtain adequate bonding coverage for its officers immediately. Please provide proof of bonding coverage to this office as soon as adequate coverage has been obtained, but not later than April 13, 2007.

### **Other Issues**

The audit disclosed the following other issues:

#### **No Authorization for Salaries/Stipends**

During the audit, I advised you that authorization for the salary/stipend amounts paid to union officers could not be found in union records. You informed me that Local 1831 officer stipends have been discontinued indefinitely. I recommend that Local 1831 document any future authorized salary/stipend amounts in its bylaws or record them in meeting minutes or some other internal document (following discussion in the appropriate membership and/or executive board meeting) and maintain those records for as long as officers of Local 1831 received salary/stipend payments.

#### **Policy for Expenses**

As discussed during the exit interview, the audit revealed that Local 1831 does not have a clear policy regarding the expenses personnel may claim for reimbursement and what types of expenses can be directly paid by the union on behalf of an officer. Authorization of expenses is an important matter that should be recorded in union records. One such expense is the cellular phone bill of the local president. There is nothing in the union records to indicate that the union had agreed to pay the president's cellular phone bill, much less the entire bill. In addition, there is no evidence that the union agreed to pay an overage charge totaling \$110.45 in January 2005. As you have agreed to repay this \$110.45 overage charge and there was some evidence that some union officers approved the payment of your regular monthly cellular telephone bill, no further action will be taken regarding this matter provided that you repay the \$110.45 no later than April 13, 2007. Since you decided that you would pay your cellular phone bill in the future, no additional approval needs to be obtained at this time.

I want to extend my personal appreciation for your and your entire staff's cooperation and courtesy during this compliance audit. If we can be of any assistance in the future, please do not hesitate to call.

Sincerely,

Investigator

cc: Sammy Bardley, Secretary-Treasurer  
Peter Henderson, Vice President