

**U.S. Department of Labor**

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September 22, 2006

Ms. Joyce Melchor, President  
American Federation of Government Employees  
Local 2876  
P.O. Box 2990  
Washington, DC 20013

Re: Case Number: ~~XXXXXXXXXX~~

Dear Ms. Melchor:

This office has recently completed an audit of AFGE Local 2876 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 and Treasurer Ronald Scott on September 14, 2006, 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.

**Record Keeping Violations**

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 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, 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 2876's 2005 records revealed the following recordkeeping violations:

1. Officer Expenses

Union officers failed to maintain adequate documentation for reimbursed expenses and for expenses charged to union credit cards. 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.

2. Receipts

Local 2876 failed to deposit a small receipt from a member and the union was unable to document where this money went. Union receipt 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. Deposit slips should accompany all receipts to show that receipts were indeed deposited into the union's accounts, unless receipts are direct deposited.

3. Dues Check-Off Lists

Local 2876 failed to retain some of the dues check-off lists for the fiscal year. 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.

As agreed, provided that Local 2876 maintain adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

**Reporting Violations**

The CAP disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-3) filed by Local 2876 for fiscal year ending July 31, 2005, was deficient in the following areas:

1. Payments to Officers Not Properly Reported

Local 2876 failed to include some reimbursements to officers in Item 24 (All Officers and Disbursements to Officers). Such payments appear to have been erroneously reported in another disbursement category.

All direct disbursements to Local 2876 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).

2. Failure to File Bylaws

The CAP disclosed a violation of LMRDA Section 201(a) which requires that a union submit a copy of its revised bylaws with its LM report when bylaw changes are made. When you file your LM report for fiscal year 2006, please include two copies of your most recent bylaws with our office.

I am not requiring that Local 2876 file an amended LM report for 2005 to correct the deficient items, but as agreed, Local 2876 will properly report the deficient items on all future reports filed with this agency.

Other Issues

1. Officers' Salary

During the audit, I advised you that authorization for the salary amounts paid to union officers could not be found in union records. I strongly recommend that Local 2876 document the authorized salary 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). When the authorized salary amounts have been recorded in union records, please forward a copy of the record documenting the authorization to me at the above address.

2. Credit Cards

As discussed during the exit interview, the audit revealed that a Local 2876 officer appears to have inadvertently charged personal expenses on the union credit card. As stated in the opening interview, the union's policy is that no personal items can be charged on the union credit card. Although these charges were paid by the officer when the union received its bill, I strongly recommend that the union review its policy to make sure that this does not happen in the future.

Ms. Joyce Melchor  
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I want to extend my personal appreciation to AFGE Local 2876 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,

A thick black horizontal line redacting the signature of the investigator.

Investigator