

U.S. Department of Labor

Employment Standards Administration
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October 23, 2007

Glenda Brooks
American Federation of Government Employees (AFGE)
Local 3599 EEOC
Birmingham, AL 35213

LM File Number 511-619

Case Number: [REDACTED]

Dear Ms Brooks:

This office has recently completed an audit of AFGE, Local 3599-EEOC 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 Vanessa Hannah on Oct 22, 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. The CAP disclosed the following:

Reporting Violations

The audit 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 AFGE Local 3599 for fiscal year ending June 30, 2006, was deficient in the following areas:

1. Disbursements to Officers

Line 24E & F shows contradictory figures for allowances and disbursements for President Sharon Baker. Line 24E shows \$1799.00 and Line 24F shows \$699.00. The audit disclosed the correct amount paid to Baker to be \$364.36.

The union must report most direct disbursements to Local 3599 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).

The union attributed the mistake to a lack of training and a change of Treasurers. The union agreed to file accurate reports in the future

2. Certificate of Deposit Recorded as Investment

AFGE Local 3599 improperly included the value of a \$6272.00 Certificate of Deposit as an investment in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit to be cash. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements.

The union was unaware that a CD was considered cash and should be annotated on Line 25A & B. The union attributed the mistake to lack of training. The union advised the mistake would not be made again since they received proper training. The union agreed to file accurate reports in the future.

I am not requiring that AFGE Local 3599 file an amended LM report for 2006 to correct the deficient items, but as agreed, AFGE LU 3599 will properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. During the audit, you advised that President Sharon Baker signs blank checks. Your union's bylaws require that all checks be signed by two of the three authorized signatories. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that AFGE Local 3599 review these procedures to improve internal control of union funds.

2. During the audit, you advised that the locals receipt and disbursement logs are balanced/reconciled every other month. OLMS recommends that AFGE Local 3599 review and balance the disbursement log and receipt log at least once a month when it receives its statements from the bank. This improves financial accountability and this procedure improves internal control of union funds.
3. During the audit, you advised that the you do not immediately deposit all receipts into the union's checking account but rather accumultate receipts and make deposits monthly. OLMS recommends that AFGE Local 3599 immediately deposit receipts into their account. This improves financial accountability and this procedure improves internal control of union funds.

I want to extend my personal appreciation to AFGE Local 3599 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: Sharon Baker, President