

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
Los Angeles District Office  
915 Wilshire Boulevard  
Room 910  
Los Angeles, CA 90017  
(213) 534-6405 Fax:(213) 534-6413



September 4, 2008

Mr. Edward Tuffly, Treasurer  
Government Employees AFGE AFL-CIO  
Local 2544  
410 W. Ruthrauff Rd., Ste. 100  
Tucson, AZ 85705

LM File Number: 503-876  
Case Number: 520-12829 [REDACTED]

Dear Mr. Tuffly:

This office has recently completed an audit of Government Employees AFGE AFL-CIO, Local 2544, 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 August 22, 2008, 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 organizations 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.

Local 2544's fiscal year 2006 financial records were deficient as follows:

1. Failure to Record Receipts

Local 2544 did not record in its receipt records (general ledger; receipts journal) certain audit year receipts (dividend income from investment account). Union receipt records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

2. Failure to Record Disbursements

Local 2544 did not record in its disbursement records (general ledger; disbursements journal) certain audit year expenses (storage rent payments). Union disbursement records must include an adequate identification of all money the union spends. The records should show the date and amount of each expense, and the recipient of the money.

3. Disposition of Property

Local 2544 did not maintain an inventory of merchandise (t-shirts, etc.) and other property it purchased, sold, or gave away. The local must report the value of any union property on hand at the beginning and end of each year in Item 28 of the LM-2, and it must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 28. The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items.

Based on your assurance that Local 2544 will maintain adequate financial records in the future, OLMS will take no further enforcement action at this time regarding the above recordkeeping violations.

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 certain violations of this requirement. (Note: Item and schedule numbers cited below pertain to the old LM-2 paper form because the delinquent reports were initially submitted on the old form. As a result, item and schedule numbers cited below are slightly different than those contained on the Revised LM-2 form, although most headings are the same.)

The delinquent Labor Organization Annual Reports (Form LM-2) initially filed for fiscal years 2004, 2005, 2006 (audit year), and 2007 were deficient in the following areas:

1. Disbursements to Officers and Employees (LM-2)

Local 2544 did not report reimbursements or other payments issued to or on behalf of its officers or employees in Schedule 9 (All Officers and Disbursements to Officers) and Schedule 10 (Disbursements to Employees). It appears that these reimbursements and payments to or on behalf of individuals were erroneously reported as lump sums in Schedules 12 (Contributions, Gifts, and Grants), 13 (Office and Administrative Expense), and 15 (Other Disbursements) under generic headings such as "Travel and Meals," "Reimbursements," "Vehicle Expense," "Miscellaneous," "Office-related Expenses," "Communications," and so forth.

On the Revised LM-2 form, which the local must file electronically whenever annual cash receipts exceed \$250,000.00, the union must report in Column F (Disbursements for Official Business) of Schedules 11 and 12 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. Cash Reconciliation

The local should obtain reported account balances (beginning and ending cash) from its financial books as reconciled to the balances shown on bank statements.

The cash figures reported on the local's initially submitted audit year 2006 LM-2 report did not match the figures in the books after reconciliation to the bank statements, and did not match the figures calculated during the audit. Significant reconciliation differences were found on all four initially submitted LM-2 reports (fiscal years 2004, 2005, 2006, and 2007) submitted during the audit and so those reports were all considered unacceptable and rejected; however, the causes of the reconciliation differences were later determined and the final versions submitted electronically reconciled within OLMS tolerance.

### 3. Additional Reporting Violations

Local 2544 failed to file its fiscal year 2004, 2005, and 2006 LM-2 reports prior to the start of this audit, and during the audit, its 2007 LM-2 report became delinquent. The local reported investment assets along with beginning cash (Item 25a) when they should have been reported separately as Investments (Item 29). Additionally, the local reported depreciation expense as an audit year cash disbursement (Schedule 15) and failed to report the amount for which its officers were bonded (Item 20 blank).

### 4. 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 2544 revised its bylaws in 2000 and 2007 but did not file the required copies with its annual LM reports for those or any intervening years. Prior to this audit, the most recent bylaws on file with OLMS were the bylaws received in 1994.

Local 2544 filed a copy of its current bylaws (2007) during the exit interview.

Local 2544 was required to correct and properly submit its LM-2 reports for fiscal years 2004, 2005, 2006, and 2007. I advised the local and its accountant on filing procedures, availability of filing software on the OLMS website, and assistance available regarding the alleged electronic signature issues. Acceptable LM-2 reports for fiscal years 2004, 2005, 2006, and 2007 were properly filed (2004 by hard copy; 2005-07 electronically) prior to the closing of this audit.

### Other Violations:

#### 1. 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. During audit year 2006, Local 2544 officers and employees were bonded for \$75,000.00; however, they should have been bonded for at least \$79,488.43 at that time.

Local 2544 must ensure that officers and employees are bonded in compliance with the LMRDA requirements. You stated during the exit interview that you had recently requested AFGE National to increase your local's bond to \$100,000.00. Please verify with AFGE National that this new bond level is adequate given your local's anticipated fiscal year 2008 cash receipts, and please provide proof of your new bonding coverage to this office as soon as possible.

#### Other Issues:

##### 1. Use of Signature Stamp

During the audit, you stated that it was Local 2544's practice during the audit year for one officer to sometimes stamp the signature of the other officer on union checks. Section 24 of Local 2544's bylaws requires that all checks be signed by the treasurer and countersigned by the president (or by the executive vice president if one of those officers is unavailable). 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, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 2544 review these procedures to improve internal control of union funds.

##### 2. Single-signature Checks; Debit Card Transaction Limit

The audit disclosed that the local's secondary checking account has a single-signature requirement and that three officers carry union debit cards for the local's general checking account (president, treasurer, and executive vice president); however, as stated above, Section 24 of the local's bylaws requires two signatures (president and treasurer) for every disbursement of union funds. The single-signature requirements of the secondary checking account and debit cards weaken the local's internal financial controls and negate the purpose of a two-signature requirement. You stated during the audit that the debit card limit for a single transaction is set at \$2,500.00, a rather high limit given the lack of a two-signature requirement with debit cards. Furthermore, this violates Section 26 of the bylaws, which states that expenditures over \$500.00 require prior approval by the local's

membership. OLMS recommends that Local 2544 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Government Employees Local 2544 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 solid black rectangular redaction box covering the signature of the investigator.A solid black rectangular redaction box covering the name of the investigator.

Investigator

cc: Mr. Dave Hull, Treasurer (new)

Erratum

The preceding September 4, 2008 letter erroneously identified Edward Tuffly as the Treasurer of Government Employees AFGE AFL-CIO Local 2544. As of the date of the letter, Mr. Tuffly was the president of the labor organization.

November 6, 2014