

U.S. Department of Labor

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March 28, 2008

Ms. Faye Kroh, President
Government Employees AFL-CIO Local 3748
4701 Highland Road
Mandan, ND 58554

LM File Number: 512-046
Case Number: [REDACTED]

Dear Ms. Kroh:

This office has recently completed an audit of AFGE Local 3748 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 Area Secretary-Treasurer Becky Wald on March 4, 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 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 3748's 2006 and 2007 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 3748 did not retain adequate documentation for reimbursed expenses incurred by area representatives and chapter representative totaling at least \$575. For example, a \$50 check was written to Scheels for a gift card given to a former officer as a retirement gift, but no supporting documentation could be found in the records. As another example, a \$32.17 check was written to Oasis Gas Station for gas purchased to travel to the AEC meeting in Fargo, but no receipt was maintained.

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. Meal Expenses

Local 3748 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$300. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 3748's records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, check # [REDACTED] was written to Happy Joe's Pizza in the amount of \$80 for pizza at an AEC meeting. However, no receipt was found in union records. As another example, a \$65.23 check was written to North Town Grille for food at an AEC meeting, but no record included the names and titles of those present for the

meal. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Failure to Maintain Bank Statements for Chapter Checking Accounts

During the audit, Ms. Wald advised that the Fargo, Grand Forks, and Mandan chapters each maintain a union checking account, but she did not keep bank statements for these accounts. As stated previously, Section 206 of the LMRDA requires, among other things, that adequate records be maintained for at least five years by which each receipt and disbursement of funds, as well as all account balances can be verified, explained, and clarified.

Based on your assurance that Local 3748 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

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-4 filed by Local 3748 for fiscal year ending was deficient in that Local 3748 did not include reimbursements to officers totaling at least \$3,000, in Item 18 (total payments to officers and employees during the reporting period). For example, former President Bruce Boehm received a \$500 check as a retirement gift in March 2007. However, only \$185 was reported in Item 18.

Other Violation

Pursuant to 29 C.F.R. Section 458.35, officers and employees of any labor organization subject to the CSRA who handle union funds 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. In the case of Local 3748, many

different officers and employees have access to varying amounts of union funds. Each must be bonded for at least 10% of the funds that they handle. Officers and employees of Local 3748 are currently bonded for \$5,000. During 2007, Local 3748's receipts and assets totaled 54,116.28. Officers or employees who had access to all of those funds must be bonded for at least 10% of that amount, or \$5,500.

Local 3748 obtained adequate bonding coverage and provided evidence of this during the audit. As a result, OLMS will take no further enforcement action regarding this issue. Based on your assurance that Local 3748 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Other Issue

During the audit, Ms. Wald advised that she occasionally had former President Bruce Boehm sign blank checks. Your bylaws require that all checks be signed by the president and treasurer. 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 Local 3748 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to AFGE Local 3748 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: Becky Wald, Secretary-Treasurer
Sheila Sears, Area Chief Steward

Majorie Olson, Area Vice President
Stephanie Ness, Fargo Chapter Treasurer
Terry Shuler, Area Vice President
Carol Zito, Grand Forks Chapter Treasurer
Duane Krein, Area Vice President
Gary Brucker, Mandan Chapter Treasurer