



February 4, 2011

Mr. Louis Curry, President
Government Employees AFL-CIO Local 2382
650 E Indian School Rd
Building 5
Phoenix, AZ 85012

Case Number: [REDACTED]
LM Number: 501-755

Dear Mr. Curry:

This office has recently completed an audit of Government Employees AFL-CIO Local 2382 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 and Treasurer Nathaniel Payne on December 15, 2010, 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 2382's 2009 records revealed the following recordkeeping violations:

1. Lack of Salary Authorization

Local 2382 did not maintain records to verify that the salaries reported in Item 24 (All Officer and Disbursements to Officers) of the LM-3 were the authorized amounts and, therefore, were correctly reported. The union must keep adequate records showing the current salary authorized by the entity or individual in the union with the authority to establish salaries. The audit disclosed that officer salary policies were stated in the local's 1999 and 2003 bylaws but that those bylaws were never officially approved by AFGE National. As a result, the salary provisions in the 1999 and 2003 bylaws were deemed invalid by the AFGE National. The local's 1983 bylaws, which are the local's most recent bylaws considered valid by AFGE National, are silent with respect to officer salaries. It is recommended that the local adopt a formal policy specifying officer salary levels as well as the procedure for changing those salary levels in the future.

2. Bank Records

The local did not maintain audit year canceled checks or check images, although the local obtained the canceled check images from its bank for the audit at OLMS' request. The local should retain all canceled checks or check images to support their disbursements.

3. Meeting Minutes

Minutes were not maintained for all monthly membership meetings held during the audit period, specifically for the months of March, October, and December 2009. Minutes for these months were not among the provided records during the audit. It is recommended that the local maintain all minutes in the future.

Based on your assurance that Local 2382 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above 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 Labor Organization Annual Report LM-3 filed by Local 2382 for fiscal year ending December 31, 2009 was deficient in the following areas:

1. Disbursements to Officers

Local 2382 did not include some disbursements and reimbursements to officers totaling at least 3,165.26 in the amounts reported Item 24 (All Officers and Disbursements to Officers).

The union must report most direct disbursements to Local 2382 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).

Treasurer Christopher Harten was reported as receiving \$3,198.00 in salary but \$3,043.18 in reimbursements to him should have also been reported. In addition, Item 24 did not include reimbursements of \$54.00 and \$68.08 paid to Chief Steward/President Louis Carry and Chief Steward Patrick Morrissey, respectively.

2. Certificates of Deposit Reported As Investments

Local 2382 improperly included the value of a 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.

3. Assets

The local's fixed assets figures reported on its audit year LM-3 did not agree with fixed assets figures reported on its IRS Form 990. Specifically, the audit year's beginning and ending fixed assets were respectively reported on Form 990 as of \$1,214.00 and \$582.00, whereas audit year beginning and ending fixed assets were respectively reported on the LM-3 as \$3,491.00 and \$1,214.00. The audit disclosed that \$1,214.00 and \$582.00 were the correct fixed assets figures at the beginning and end of 2009 and, therefore, should have been reported as such on the audit year LM-3.

I am not requiring that Local 2382 file an amended LM-3 report for 2009 to correct the deficient items, but Local 2382 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

The scope of this audit included examination of the local's partial fiscal year 2010 records, which revealed the following other issues:

1. Lost Time

The audit disclosed a duplicate lost time payment retroactively requested by and paid to then-Treasurer [REDACTED] in January 2010. [REDACTED] was paid \$1,378.34 by the union while on annual leave in October 2009; therefore, he had already been compensated by the employer before requesting and receiving this lost time payment in January 2010. It is recommended that the local establish the appropriate internal financial controls to prevent duplicate lost time payments in the future.

2. Countersignature Requirement

The local's undated bank signature card lists three officers as signatories and states that only one authorized signature is required to disburse union funds by check. However, union officers and the canceled checks reviewed during the audit confirmed that two signatures are required for check disbursements. It is recommended that the local resolve this discrepancy with its bank in order to improve its internal financial controls.

I want to extend my personal appreciation to Government Employees AFL-CIO Local 2382 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,

[REDACTED]

Investigator

cc: Mr. Nathaniel Payne, Treasurer