



March 5, 2012

Ms. Darlene Estell, Secretary-Treasurer
AFGE VAMC Local 31
10701 East Boulevard
Admin. Building Rm. 630
Cleveland, OH 44106

Case Number: [REDACTED]
LM Number: 516-049

Dear Ms. Estell:

This office has recently completed an audit of AFGE VAMC Local 31 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, President Malinda Morrow, and National Representative Chon Jung on February 3, 2012, 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 31's 2011 records revealed the following recordkeeping violations:

1. Meal Expenses

Local 31 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, the union did not retain a vendor receipt for a dinner at Outback Steakhouse on October 27, 2011, in the amount of \$203.85. 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.

2. Failure to Record Receipts and Disbursements

Local 31 did not record in its receipts records some earnings from the sale of tickets to union events totaling at least \$600. For example, the union retained no record of ticket sales for its annual holiday party. In addition, union cash receipts that were not deposited into the union's bank account were used to make purchases on behalf of the union. For example, the union purchased holiday party supplies with cash from the ticket sales for the party. Union receipts and disbursements records must include an adequate identification of all money the union receives and disburses.

3. Disposition of Property

Local 31 did not maintain an up-to-date inventory of fixed assets and had no record of other property it purchased, sold, or gave away. For example, Local 31 officers were unaware that the union's storage facility contained fixed assets such as computers monitors and a scanner/printer. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

Based on your assurance that Local 31 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

The union must record in at least one record the date and amount received from each sale of union hats, jackets and other items.

Reporting Violation

Failure to File Bylaws

Pursuant to 29 C.F.R. Section 458.3, the requirement under 29 C.F.R. Section 402.4 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 31 amended its constitution and bylaws in 2010, but did not file the required copies with its LM report for that year.

Local 31 has now filed a copy of its constitution and bylaws.

Other Issues

1. Union Debit Cards

Local 31 officers use union debit cards to make expenditures on behalf of the union. The use of debit cards by union officers negates the safeguard of two signature recommended for the issuance of union checks.

2. Bank Signature Card

During the audit it was discovered that the signature card Local 31 has on file with its bank contains the signatures of former officers and is missing the signatures of current officers. It is important that the union's signature card on file be updated with the appointment of new officers to make certain that transactions can be made on behalf of the union only by authorized officers.

3. Officer Compensation

During the audit it was discovered that seven complimentary hotel rooms were provided to Local 31 officers by the hotel hosting the union holiday party. The value of the rooms should be reported in Item 24 for each officer on the 2011 LM-3 report.

During the exit interview you were made aware of these issues and you promised to take the necessary steps to prevent the union from incurring future violations.

I want to extend my personal appreciation to AFGE Local 31 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: Ms. Malinda Morrow, President