



September 30, 2014

Mr. Carl Lutz, President  
AFGE Local 2022  
P.O. Box 453  
Building 2110 Indiana Avenue  
Ft. Campbell, KY 42223-0453

Case Number: 350-6002403( )  
LM Number: 501527

Dear Mr. Lutz:

This office has recently completed an audit of AFGE Local 2022 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, Executive Vice President Judy Hansford, Secretary/Treasurer Marilyn Hill, and Office Manager Mickey Grubbs on August 15, 2014, and also in a subsequent phone call, 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 requires, 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 2022's 2013 records revealed the following recordkeeping violations:

1. General Expenses

Local 2022 did not retain adequate documentation (missing invoices) for expenses totaling at least \$498.09 from State Industrial Products (Odor Eliminators) for \$348.09; Subway (food platters for organizing luncheon) for \$120.00; and 5<sup>th</sup> District (lapel pins bought during local union training) for \$30.00.

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.

Based on your assurance that Local 2022 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 audit disclosed a violation of this requirement. The Labor Organization Annual Report Form LM-2 filed by Local 2022 for the fiscal year ended June 30, 2013, was deficient in the following areas:

1. Fidelity Bond

The audit revealed that the amount of indemnity for officers, employees, or agents of Local 2022 was \$35,000, and increased to \$55,000 as a result of the audit, but \$100,000 was reported on the LM-2 Report.

2. Acquire/Dispose of Property

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because the union gave away lapel pins and other gifts during the year. The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees."

3. Failure to Itemize Disbursements

Local 2022 did not properly report several “major” transactions in Schedules 18 and 19. A “major” transaction includes any individual transaction of \$5,000 or more or total transactions to or from any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. The audit found that the local did not enter in Column A of the itemization pages the full name and business address of the entities or individuals to which the disbursements were made.

4. Certificates of Deposit Not Reported

Local 2022 did not include the certificates of deposit in Item 22 on the LM-2 Report. 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.

5. Failure to Report Fixed Assets

The audit revealed that Local 2022 owns a copier, printer, computers, and other office equipment/assets, but no fixed assets are reported in Statement A or Schedule 6.

Local 2022 must file an amended Form LM-2 for the fiscal year ended June 30, 2013, to correct the deficient items. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). The amended Form LM-2 must be filed no later than October 22, 2014. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Violations

The audit disclosed the following other violation:

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.

The audit revealed that Local 2022’s officers and employees were not bonded for the minimum amount required at the time of the audit. However, Local 2022 obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issues

1. Signing Blank Checks

During the audit, you advised that officers sign blank checks. 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 2022 review these procedures to improve internal controls.

I want to extend my personal appreciation to AFGE Local 2022 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: Mrs. Marilyn Hill, Secretary/Treasurer