

U.S. Department of Labor
Office of Labor-Management Standards
Washington District Office



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September 23, 2019

Mr. Eduardo L. Bodmer, Treasurer
American Federation of Government Employees Local 2
105 Fenton Circle
Building 305
Fort Myer, VA 22211

Case Number: 450-6015648 [REDACTED]
LM Number: 501-748

Dear Mr. Bodmer:

This office has recently completed an audit of American Federation of Government Employees (AFGE) Local 2 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 September 11, 2019, 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 requires, among other things, that labor organizations maintain adequate records 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. As a general rule, labor organizations must maintain 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 2's 2018 records revealed the following recordkeeping violations:

1. Check Card Expenses

Local 2 did not retain adequate documentation for check card purchases. For example, there were no receipts for disbursements to AT&T, the Dish Network, the U.S. Postal Service, an airline, hotels and other vendors.

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 2 did not require officers to submit itemized receipts for meal expenses. The union must maintain itemized receipts provided by restaurants to officers. 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.

In addition, Local 2's records of meal expenses did not always include a written explanation of the union business conducted or the names and titles of the persons incurring the restaurant charges. 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 incurred meal expenses.

3. Lost Wages

Local 2 did not retain adequate documentation for lost wage reimbursement payments to some union officers. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted.

During the exit interview, I provided a compliance tip sheet, Union Lost Time Payments, that contained a sample of an expense voucher Local 2 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

4. Failure to Retain Bank Transaction Records

Local 2 failed to maintain bank transaction records for bank withdrawals and some deposits into the local's checking account. Labor organizations must retain all records received in the normal course of business.

5. Disposition of Property

Local 2 purchased Christmas dinner tickets, apparel, and souvenirs that were given away to members. However, there was nothing in the union records to indicate who purchased/received the tickets, apparel and souvenirs, how much they paid, or what they purchased/received. The union must report the value of any union property on hand at the beginning and end of the year in Item 30 (Other Assets). The union must retain inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30.

6. Insufficient Descriptions

There were some disbursements in which the union business purpose was not sufficiently descriptive in the union's records. For example, there were several checks written to members or officers in which the only purpose in the records was "legal fees" or "annual leave." All disbursement records must contain an adequate description of the nature of the union business requiring the disbursement.

Based on your assurance that Local 2 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report, Form LM-3, filed by Local 2 for the fiscal year ended December 31, 2018, was deficient in the following areas:

1. Disbursements to Officers

Local 2 did not include disbursements to or on behalf of officers in the amounts reported in Item 24 (All Officers and Disbursements to Officers). Disbursements to or on behalf of several union officers including travel expenses, meals, bonus bucks, leave without pay (LWOP), and other expenses were incurred during the audit year, but these expenses were not reported next to their name in Item 24, Column E (Allowances and Other Disbursements).

The union must report most direct disbursements to Local 2 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. An "indirect disbursement" to an officer is a payment to another party (including check card companies) 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).

2. Delinquent LM Reports

The Labor Organization Annual Report, Form LM-3, is required to be filed within 90 days of the end of a labor organization's fiscal year. Local 2 has failed to file its LM-3 reports on time since fiscal year 2014. The president and secretary-treasurer are personally responsible for timely filing the union's LM-3 reports. However, Local 2's failure to timely file the LM-3 reports in the future could result in the initiation of enforcement proceedings.

3. 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 2 amended its bylaws in 2003 and did not file the required copies with its LM report for that year. Local 2 has now filed a copy of its bylaws.

I am not requiring that Local 2 file an amended LM report for 2018 to correct the deficient items, but Local 2 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violations

The audit disclosed the following other violation:

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.

According to the AFGE's blanket bond, Local 2 is currently bonded for \$12,500 for fiscal year 2019. However, the officers must be bonded for at least \$19,795. Local 2 should obtain adequate bonding coverage for its officers immediately. According to the AFGE's blanket bond Local 2 is bonded for \$12,500 for fiscal year 2019. Please provide proof of the correct bonding coverage to this office as soon as possible, but no later than October 15, 2019.

I want to extend my personal appreciation to AFGE Local 2 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,



Auditor

cc: Mrs. Cynthia Lee, President