

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
Boston District Office  
Room E-365  
JFK Federal Building  
Boston, MA 02203  
(617)624-6690 Fax: (617)624-6606



March 6, 2007

Ms. Susan Leavy, Secretary-Treasurer  
AFGE  
Local 1164  
P.O. Box 1585  
Leominster, MA 01453

Re: Case Number: [REDACTED]

Dear Ms. Leavy:

This office has recently completed an audit of AFGE Local 1164 for its fiscal year ended December 31, 2005 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 yourself and Richard Couture on January 5, 2007, 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.

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 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. As a general rule, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts. The audit of Local 1164's 2005 records revealed the following recordkeeping violations:

There were numerous checks that were voided and not issued, but were not retained. These voided checks are official union financial records and must be retained for five years.

It should further be noted that there were several bookkeeping errors in the union's financial records that led to a faulty running balance throughout the audit year. The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 1164's LM report.

As agreed, provided that Local 1164 maintains adequate documentation and financial records as discussed above in the future, no additional enforcement action will be taken regarding this violation.

The CAP 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 1164 for fiscal year ending December 31, 2005, was deficient in that the names of some officers (the area vice presidents) and the total amounts of payments to them or on their behalf were not reported in Item 24 (All Officers and Disbursements to Officers). All persons who held an executive office during the year must be reported in Item 24 regardless of whether or not they received any payments from the union.

I am not requiring that Local 1164 file an amended LM report for 2005 to correct the deficient items, but as agreed, Local 1164 will properly report the deficient items on all future reports filed with this agency.

The CAP also disclosed a violation of LMRDA Section 201(a) which requires that a union submit a copy of its revised constitution and bylaws with its LM report when constitution or bylaw changes are made. Local 1164 amended its constitution and bylaws in 2005, but a copy was not filed with its LM report for that year. Remember to check "yes" for Item 21 on the LM-3 report when the local has updated its constitution and bylaws, and to submit a copy of the updated constitution and bylaws with that year's LM report.

Ms. Susan Leavy  
March 6, 2007  
Page 3 of 3

A copy of Local 1164's constitution and bylaws has now been filed with this agency.

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds handled by those individuals or their predecessors during the preceding fiscal year. Local 1164's officers and employees were bonded for \$15,000, but were legally required to be bonded for at least \$38,600. The union's bond must equal at least 10% of the local's cash at the beginning of the fiscal year plus the year's annual receipts.

Adequate bonding coverage was obtained and documentation provided during the audit. No further enforcement action will be taken.

During the audit, you advised that the president signs blank checks in advance. Your union requires that all checks be signed by the president and treasurer. The countersignature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, countersigning a blank check in advance does not attest to the authenticity of a completed check, and completely circumvents and undermines the whole purpose of the countersignature requirement. I recommend that Local 1164 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to AFGE Local 1164 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: Richard Couture, President