

**U.S. Department of Labor**

Employment Standards Administration  
Office of Labor-Management Standards  
Washington District Office  
800 North Capitol Street NW  
Room 120  
Washington, DC 20002-4244  
(202)513-7300 Fax: (202)513-7301



February 27, 2009

Ms. Lucinda Harvey, Treasurer  
American Federation of Government Employees (AFGE)  
Local 1739  
VA Medical Center  
Building 12  
Salem, VA 24153

LM File Number 502-392  
Case Number: [REDACTED]

Dear Ms. Harvey:

This office has recently completed an audit of AFGE Local 1739 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 Local 1739 President Edward Burnett and you on February 12, 2009, 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 1739's 2006 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 1739 did not retain adequate documentation for expenses incurred by union officers. The union did not maintain any of the hotel and airfare receipts for the officers who traveled on union business during the audit period.

As previously 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. Failure to Record Receipts

Local 1739 did not record in its receipts records cash received at fundraisers and deposited in the "AFGE Candy Fund" account. This includes the sale of pizza, tickets to the fish fry, and other items. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

4. Failure to Maintain Records

The union failed to maintain records for some union receipts and expenses. The union failed to maintain voided checks, deposit slips for deposits into the "AFGE Candy Fund" savings account, withdrawal slips for withdrawals from this account, and receipts for some expenditures. For example, the union wrote a check during the audit year to the Blue Ridge Bread Company. No receipt was

maintained for this purchase and there was nothing in the union's records to explain the nature of this expense. In addition, there was nothing in the union records to explain the business purpose of the withdrawals. All union receipt and disbursement records, including all deposit and withdrawal slips must be maintained.

Based on your assurance that Local 1739 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 1739 for fiscal year ending December 31, 2006, was deficient in that:

1. Failure to File Timely LM-2

The law requires unions to file an LM form within 90 days after the completion of the union's fiscal year. Since the union's fiscal year ended on December 31, 2006, the LM-2 report was due by March 31, 2007. However, Local 1739 did not file this report until September 11, 2008, which was after OLMS initiated its audit. Based on your assurance that you will file the report on time in the future, no additional enforcement action will be taken at this time.

2. 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 1739 amended its constitution and bylaws in 2006, but did not file the required copies with its LM report for that year. Local 1739 has now filed a copy of its constitution and bylaws.

### 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. Officers and employees of Local 1739 were bonded for \$12,500 during the audit period; however, they should have been bonded for at least \$31,500. The audit revealed that Local 1739's officers were not bonded for the minimum amount required at the time of the audit. However, the union 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. Union Travel

During the audit period, the union paid the expenses for four union officers to attend the Department of Veterans Affairs Safety Conference in Las Vegas, NV. The conference ended on January 13, 2006. However, Treasurer Harvey and Chief Steward Teresa Altic stayed in Las Vegas until January 15, 2006. The union paid for their hotel and per diem until this date even though there was no union-related reason for them to stay. On February 26, 2009, Treasurer Harvey and Chief Steward Altic each reimbursed the union \$194. No further action will be taken on this matter. However, the union should carefully review all travel reimbursements in the future.

2. Duplicate Receipts

Retired members of Local 1739 pay dues directly to the union. The administrative assistant records dues payments in the union's receipts journal, but she did not issue receipts to dues payers. OLMS recommends that Local 1739 use a duplicate receipt system where the union issues original pre-numbered receipts to all

members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

3. Use of Signature Stamp

During the audit, the union officers advised that it is Local 1739's practice for Treasurer Harvey to sign all union checks and to stamp the signature of President Burnett on union checks. The officers indicated that no one but Treasurer Harvey reviews the checks before they are issued. Article V, Section 2 of Local 1739's Constitution and Bylaws requires that checks be signed by the president and treasurer. 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, the use of a signature stamp for the second signer does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1739 review these procedures to improve internal control of union funds.

3. One Signature on Checks

During the audit period, there were 11 checks that were signed by one union officer. Article V, Section 2 of Local 1739's Constitution and Bylaws requires checks to be signed by both the president and treasurer. The two signature requirement is an effective internal control of union funds. OLMS recommends that Local 1739 review these procedures to improve internal control of union funds.

5. Expenses Not Authorized by the Membership

Article XIX Section 6(e) of AFGE's Constitution states: "Expenditures by the Executive Board in excess of \$500 per month must have prior approval of the local's members either as authorized by the budget approved by the local or by separate vote of the local's members. All expenditures authorized by the Executive Board will be reported in writing at the next regular meeting of the local. Upon request a copy of such report will be available to any member in good standing of the local." During the audit year, Local 1739 spent \$2,805.61 for a joint

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picnic with the Department of Veterans Affairs. This disbursement was never authorized by the membership. The disbursement was also beyond what the Executive Board approved. OLMS strongly recommends that Local 1739 follow its Constitution and obtain membership approval for these type of expenses in the future.

I want to extend my personal appreciation to AFGE Local 1739 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: Edward Burnett, President