



November 1, 2013

Mr. Willie Slater, President
American Federation of Government Employees
Local 1178
PO Box 1263
Prince George, VA 23875

Case Number: 450-12977 [REDACTED]
LM Number: 503-419

Dear President Slater:

This office has recently completed an audit of American Federation of Government Employees (AFGE) Local 1178 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 and Secretary-Treasurer Sandy Okeefe on October 24, 2013, 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 Labor Management Reporting and Disclosure Act (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 CSRA as well. Therefore, as a general rule, a 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 1178's 2012 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 1178 did not retain adequate documentation for reimbursed expenses incurred by an officer totaling \$540.

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. Cash Given to Members During Recruiting Drive

Local 1178 did not maintain adequate records to explain the distribution of \$400 in cash distributed during a membership recruiting drive.

Union disbursement records must include an adequate identification of all money the union disburses. The records should show who received the money, the date the money was disbursed, and the amount that was disbursed.

3. Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that the membership authorized two donations to United Way for \$500 and \$300, and one donation to the Central Virginia Labor Federation Golf Classic for \$400. In addition, you advised OLMS that the membership authorized \$540 in training expenses for an officer.

The Local 1178 bylaws state that expenditures of more than \$250 require membership approval. However, the union did not have membership meeting minutes for some of those meetings and the membership meeting minutes for the other meetings do not contain reference to those issues. Membership or executive board meeting minutes must report all disbursement authorizations made at those meetings.

Based on your assurance that Local 1178 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 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-3, filed by Local 1178 for the fiscal year ending December 31, 2012 was deficient in that:

Disbursement to Officers

Local 1178 did not include some disbursements to officers totaling \$971.40 in the amount reported in Item 24 of the LM-3. It appears the union erroneously reported these payments in another disbursement category.

The union must report most direct disbursements to Local 1178 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. See the instructions for Item 24 for a discussion of certain direct disbursements to officers that do not have to be reported in Item 24. An “indirect disbursement” to an officer is a payment to another party (including a credit card company) 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).

I am not requiring that Local 1178 file an amended Form LM-3 for fiscal year ending December 31, 2012 to correct the deficient items, but Local 1178 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.

The audit revealed that Local 1178 officers were not bonded for the minimum amount required at the time of the audit. However, Local 1178 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

Two Signatures on Checks

During the audit, it was discovered that Local 1178 only requires one signature on union checks. The two signature requirement is an effective internal control of union funds. OLMS recommends that Local 1178 review this procedure to improve internal control of union funds.

I want to extend my personal appreciation to AFGE Local 1178 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: Sandy O'Keefe, Secretary-Treasurer