

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 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 revealed the following recordkeeping violations:

Receipts

Local 1741 failed to maintain records for all dues reimbursements that were direct-deposited into its checking account by the AFGE National Union. [REDACTED] stated that, sometime around the middle of 2005, he began to receive statements from the AFGE which provided the amount of the direct deposit and a list of the members whose payments were included in that deposit. Of the 15 direct deposits made after May 31, 2005, 10 had no statement showing the amount deposited, only the list of members whose dues were included in the deposit. The local recorded the deposits on its check stubs. Because Local 1741 failed to retain the dues statements sent by the AFGE, the union's failure to record the identity of each source of money on the check stubs constitutes a recordkeeping violation.

I recommend that Local 1741 maintain a cash receipts journal which lists in chronological order all income transactions during each month. The local must note the date of each direct deposit next to the amount and description of each corresponding dues reimbursement. A twelve-month summary ledger should also be maintained to accumulate the monthly cash receipts totals. This would facilitate the preparation of the union's annual financial report that is required to be filed with OLMS.

Officer and Employee Expenses

The date, amount, and business purpose of every expense must be recorded on at least one union record. Where meal expenses are incurred, the names of individuals present and the locations (names of restaurants) must be recorded.

Union officers failed to maintain adequate documentation for all reimbursed expenses, including those for travel. For example, [REDACTED] was advanced travel expenses for three separate trips between February and May 2005, yet

he failed to provide any receipts to the local for any of his travel. Some receipts were eventually obtained pursuant to an internal investigation of his travel expenditures.

Other

The investigation revealed that of the some of the checks issued by the local during the audit period are not supported by receipts or other adequate documentation. Some examples follow:

1. Check # [REDACTED] for \$75.00 to Milan Food Center. The description states that the check was "Cell Phone - Discretionary for President Belcher." The union provided Belcher with \$75.00 toward the purchase of a cell phone, which he bought at the Milan Food Center. Despite repeated requests, Belcher never provided the union with any receipt.
2. Check # [REDACTED] for \$200.00 to Cleo Scott for completion of the LM-3 for FYE 12/31/04. There is no receipt or supporting documentation for this check in the union's records. The LM-3 report was filed delinquenty.
3. Check # [REDACTED] for \$2,420 to Meijer for gift cards. The membership voted to distribute gift cards at Christmas. [REDACTED] stated that these gift cards were distributed to the members but there is no record of the number of cards purchased, the value, to whom or when they were distributed, or the disposition of any remaining cards.
4. There are no documents to support five checks written to attorney Lawrence Breskin, which total \$9,560.00.

In addition, adequate documentation was not retained for the distribution of collectible coins to members. Coins were given as prizes for drawings held during membership meetings. The union's meeting minutes do not contain any information regarding the names of the winners or any description of the coins.

The recordkeeping requirement for disbursements such as these can be most easily satisfied with a sufficiently descriptive bill, invoice, receipt, etc., that identifies the vendor's name and address, the date and amount of the transaction, and the goods or services provided. If a receipt is not sufficiently descriptive, then the union should note the missing information on the receipt. If the business purpose of the disbursement or the identity of the recipient(s) of the goods or services is not self-evident, then the union

must note such information on the receipt or some other record. If a receipt is not provided by a vendor, then the union must create a record containing the above information with a notation that original documentation was not provided. The only exception to this policy is for expenses generated by the union (e.g. salary, lost time, etc.) which, nonetheless, must be supported by some other type of documentation (e.g. payroll records, lost time vouchers, executive board and membership authorizations and/or approvals, etc.).

I recommend the union keep a cash disbursements journal which lists in chronological order all expense transactions during each month. A twelve-month summary ledger should also be maintained to accumulate the monthly cash disbursements totals. These records will also facilitate the preparation of the union's annual financial report that it is required to file with OLMS.

Conclusion/Recordkeeping Violations

Adequate records were not maintained for financial transactions involving Local 1741, in violation of Section 458.3 of the standards of conduct regulations. Contemporaneous, accurate, and complete records necessary to permit verification of the information required on your union's annual financial report must be preserved and kept available for examination for not less than five years after the report is filed.

The proper maintenance of union records is the personal responsibility of a union's president and treasurer. You should be aware that under the provisions of Section 458.66 of the standards of conduct regulations, unremedied violations of the recordkeeping requirements may result in the institution of enforcement proceedings by the filing of a complaint with the Chief Administrative Law Judge for the U.S. Department of Labor.

As agreed, provided that in the future Local 1741 maintains adequate documentation as discussed above, no additional enforcement action will be taken regarding these violations.

Reporting Violations

The CAP also disclosed reporting violations of Section 458.3 of the standards of conduct regulations, which incorporates the labor organization reporting requirements of LMRDA Section 201. Specifically, Section 201(b) requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations

within 90 days after the end of their fiscal year. The union failed to file its Labor Organization Annual Report (Form LM-3) for the fiscal year ending December 31, 2005, within this time frame. There is no provision for the extension of the filing period. Assuming that your union's fiscal year does not change, the LM report must be filed by March 31st of each year (or by March 30th in leap years).

In addition, the Form LM-3 filed by Local 1741 on June 29, 2006, was deficient in the following areas (it should be noted that the audit conducted was not intended to identify all possible reporting violations):

Acquisition or Disposition of Assets (Item 13)

Item 13 (acquire or dispose of any assets in any manner other than by purchase or sale) should have been answered "Yes," because the union disposed of furniture and other property during the year. The type and value of the property disposed of; the manner in which they were disposed; the identity of the recipient(s), if any; and the cost or other basis at which the assets disposed of were carried on your union's books must be reported in Item 56 (Additional Information).

The union must retain records that adequately account for all property purchased, sold, and given away.

All Officers and Disbursements to Officers (Item 24)

Local 1741 failed to report all reimbursements to officers in Item 24. These include payments to former President Belcher for travel expenses paid in advance. Such payments appear to have been erroneously reported in Item 54 (Other Disbursements).

In addition, checks written to cash, a specific officer, or to the union itself, which are cashed by an officer to pay recruiting bonuses or to purchase refreshments and other expenses of membership meetings, must be reported next to the officer's name in Item 24. Like checks, similarly negotiated by union employees, including individuals other than officers who received lost time payments, must be reported in Item 46 (To Employees).

Direct and indirect disbursements to officers must be reported 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 credit 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 for room rent charges only) or for transportation by a public carrier (such as an airline) for an officer traveling on union business may be reported in Item 48 (Office and Administrative Expense).

Conclusion/Resolution of Reporting Problems

Like the proper maintenance of union records, the timely filing of a union's accurate and complete annual financial report is the personal responsibility of a union's president and treasurer or corresponding principal officers. The enforcement provisions of Section 458.66 of the standards of conduct regulations similarly apply.

Local 1741 must file an amended Form LM-3 for fiscal year ending December 31, 2005, to correct the deficient items discussed above. I discussed with you the availability of the reporting forms and instructions on the OLMS website (www.olms.dol.gov). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than October 16, 2006. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

Internal Financial Controls

Adequate internal financial controls are essential in order for a union to fulfill its fiduciary obligations under Section 458.31 of the standards of conduct regulations. Besides those previously discussed, during our meeting I encouraged Local 1741 to implement the following internal financial controls:

- Require all officers to provide documentation for travel advances and reimbursement of expenses, meeting attendance, etc., before disbursing the funds.
- Establish an internal audit committee or trustees and ensure that they conduct regular, periodic examinations of the union's books and records.

I want to extend my personal appreciation to AFGE Local 1741 and its participating former officers for the cooperation and courtesy extended during this compliance audit.


Ms. Molli Ulmer
September 26, 2006
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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,

Ian Burg, District Director
Detroit District Office - OLMS

By:


Investigator

cc: Jill Fountain, President