



June 30, 2017

Mr. Greg Bachinski, President
Government Employees, AFGE Local 1346

Case Number: 320-6009860 [REDACTED]
LM Number: 501918

Dear Mr. Bachniski:

This office has recently completed an audit of Government Employees, AFGE Local 1346 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 Treasurer Steven Pawlak on June 27, 2017, 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 1346's 2016 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 1346 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling more than \$4,800. For example, a \$351.80 check, [REDACTED], payable to former President [REDACTED] had no corresponding union voucher or other supporting documentation. As another example, a \$528.18 check, [REDACTED] payable to Mr. Pawlak included reimbursement for an "AFGE Order" totaling \$262.07 for which no supporting documentation was retained.

In addition, Local 1346 failed to retain adequate documentation for expenses incurred by officers on the union credit card totaling more than \$17,000. For example, check [REDACTED] was payable to Union Travel MasterCard in the amount of \$1,080.84. The only documentation retained by Local 1346 for this disbursement was one page of a credit card statement detailing charges incurred during the month of August of 2015, which is not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. In the case of payments to a credit card company, Local 1346 must keep both the credit card statement and the corresponding supporting documentation for each charge. 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. Per Diem Payments

Local 1346 officers and employees generally documented claims for per diem on a Local 1346 "Request for Reimbursement Form." However, the reimbursement forms prepared by union officers and employees for per diem payments totaling more than \$2,700 are not adequate because the forms failed to identify the specific dates of travel and often failed to identify the union business purpose for the per diem payment.

In the case of per diem payments to officers and employees for travel on union business, Local 1346 must maintain records which identify the business purpose of each trip, the dates of travel, the destinations travelled to and from, and the per diem rate claimed for each date of travel.

3. Reimbursed Auto Expenses

Union officers and employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$2,500 during 2016. Although mileage claims were generally documented on a Local 1346 "Request for Reimbursement Form," the information provided on the form failed to identify the specific dates of travel and the locations travelled to and from.

The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each

use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

Based on your assurance that Local 1346 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 LM-3 filed by Local 1346 for the fiscal year ended May 15, 2016, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 1346 did not include some disbursements to officers totaling at least \$2,500 in Item 24 (All Officers and Disbursements to Officers) and disbursements to employees (stewards) totaling more than \$1,900 in amounts reported in Item 46 (to Employees). It appears that the local erroneously reported these payments in Item 54 (Other Disbursements). For example, Mr. Pawlak received \$700 in salary payments from Local 1346 during the audit year; however, Local 1346 reported \$0 in Column D (Gross Salary). As a second example, former Treasurer ██████ received payments totaling \$2,762.48 for lost wages and reimbursed expenses during the audit year, however, Local 1346 reported only \$1,171 in payments to ██████ in Item 24, Column E (Allowances and Other Disbursements).

Local 1346 disbursed more than \$1,900 in payments for reimbursed expenses (per diem, mileage and lodging) for stewards to attend stewards training during the audit year, including payments to ██████ (\$572.15), ██████ (\$541.48), ██████ (\$404.40) and ██████ (\$453.79). Mr. Pawlak confirmed he erroneously reported these payments in Item 54 (Other Disbursements). For purposes of LM reporting, stewards (who are not officers) are considered to be employees of the union and payments to them are required to be reported in Item 46. However, Local 1346 reported \$0 in Item 46.

The union must report most direct disbursements to Local 1346 officers and some indirect disbursements made on behalf of its officers in Item 24. Most direct disbursements to Local 366 employees and some indirect disbursements made on behalf of its employees must be reported in Item 46. A "direct disbursement" to an officer/employee 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/employee 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/employee. However,

indirect disbursements for temporary lodging (such as a union check issued to a hotel for room rent only) or for transportation by a public carrier (such as an airline) for an officer/employee traveling on union business should be reported in Item 48 (Office and Administrative Expense).

2. Officer Reimbursements as Receipts

During the audit year, [REDACTED] and former Executive Vice President [REDACTED] reimbursed Local 1346 for an overpayment of lost wages to them for attending the AFGE Convention in August of 2015. Local 1346 received payments totaling \$1,401.80 from [REDACTED] and \$1,201.36 from [REDACTED]; however, Local 1346 failed to report these receipts in Item 43 (Other Receipts). During the exit interview, Mr. Pawlak advised that he “netted” the disbursements to the former officers with the receipts from them and reported the net disbursement amounts in Column D of Item 24.

As discussed during the exit interview, the purpose of Statement B (Receipts and Disbursements) is to report the flow of cash in an out of your organization during the reporting period and therefore “netting” is not permitted. Local 1346 must report every receipt that was received during the fiscal year, as well as all disbursements, in Statement B. If a receipt does not conform to one of the defined items in Statement B it must be included in Item 43.

I am not requiring that Local 1346 file an amended LM report for 2016 to correct the deficient items, but Local 1346 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

The audit revealed that Local 1346 has no written policy regarding reimbursement of travel expenses. During the organizational interview, the officers advised that they are entitled to receive mileage and per diem consistent with the government rate for union travel. The union also picks-up the cost of lodging. This includes travel to the union membership meetings, which were being held biannually at the time of the audit at various locations throughout Wisconsin. Mr. Pawlak and Mr. Bachniski advised that members who attend union membership meetings are not entitled to the same type of reimbursement, rather they are entitled to receive a set amount from the union that is designed to cover all expenses. This amount varies from meeting to meeting, based on the meeting dates and location. Local 1346 does not have a clear written policy which delineates the types of expenses that union officers and members may claim for reimbursement or the circumstances under which they can be reimbursed. To ensure proper internal financial controls over union disbursements, OLMS recommends that each union: (1) adopt a clear policy on reimbursed travel expenses; (2) establish what documentation is needed for an official or member to be reimbursed; and (3)

establish a procedure that provides for approval of travel expense claims. During the exit interview, a compliance tip regarding reimbursed travel expenses was provided.

2. Credit Card Policy

The audit revealed that although Local 1346 disbursed more than \$20,000 in union funds for purchases made on the union's credit card, Local 1346 has no written policy governing the use of the union credit card. To ensure compliance with the CSRA, the Department's regulations (29 CFR 458), and to safeguard union assets by promoting transparency and accountability, labor organizations should establish a written policy that outlines the best practices for monitoring credit card use. OLMS recommends that unions (1) adopt clear policies and procedures for credit card use and payment, (2) maintain detailed documentation to support each credit card charge and credit card payment, and (3) regularly monitor compliance with the established credit card policies and procedures. During the exit interview, a compliance tip regarding credit cards was provided.

3. Signing Blank Checks

During the audit, Mr. Pawlak advised that former President [REDACTED] signed blank checks on at least one occasion. Your union's bylaws require that all 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, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1346 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Government Employees, AFGE Local 1346 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,

[REDACTED]
Investigator

cc: Mr. Steven Pawlak, Treasurer