

U.S. Department of Labor
Office of Labor-Management Standards
Washington District Office



USPS Only:
200 Constitution Avenue, NW
Suite 11-200
Washington, DC 20210-0001

Visitors/UPS/FedEx:
375 E Street, SW, Suite 11-200
Washington, DC 20024-3221
Phone (202) 513-7300
Fax: (202) 513-7301

May 25, 2017

Mr. James Glenn, Trustee
American Federation of Government Employees
Local 53
[REDACTED] Gilbert Street
Norfolk, VA 23512

Case Number: 450-6005662 [REDACTED]
LM Number: 501858

Dear Mr. Glenn:

This office has recently completed an audit of American Federation of Government Employees (AFGE) Local 53 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 on May 18, 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 organizations 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 53's 2012 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 53 did not retain adequate documentation for reimbursed expenses incurred by union officers and an employee. For example, officers and an employee received union checks for mileage, meetings, lunch and learns, bonus bucks, and the union picnic, but the union did not have any documentation to support these payments.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. In addition, the union records should include the date, the number of miles driven, the location, and the business purpose for all mileage paid to union officers or employees. 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. Disbursements for Employee Wages

Local 53 did not retain adequate documentation for some hourly wage payments to employees. The union must maintain records for hourly wages paid to employees that identify the days worked, the hours worked per day, and the applicable rate of pay.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, which contained a sample of an expense voucher Local 53 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for employee wage payments.

3. Failure to Record Receipts

Local 53 did not record receipts from retiree dues payments in any of the local's receipt records. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, the category of the receipt, and the source of the money.

4. Failure to Maintain Records

Local 53 failed to maintain some deposit slips, bank statements and supporting documents for disbursements for the union picnic.

As noted above, labor organizations must retain all records used or received in the course of union business. 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.

Based on your assurance that Local 53 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-3) filed by Local 53 for the fiscal year ended December 31, 2012, was deficient in the following areas:

1. Disbursements to Officers

Local 53 did not include salary and expense reimbursements to officers in the amounts reported Item 24 (All Officers and Disbursements to Officers). Local 53 did not report anything in Column D (Gross Salary) of Item 24 for [REDACTED]. However, the audit revealed that [REDACTED] received \$1,846 in lost time during the fiscal year. This amount should have been reported in Column D. In addition, Local 53 reported \$905 in Column E (Allowances and Other Disbursements) for [REDACTED] and nothing in Column E for [REDACTED]. However, the audit revealed that the union should have reported \$7,803 in Column E for [REDACTED] and \$872 in Column E for [REDACTED].

The union must report most direct disbursements to Local 53 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).

2. Disbursements to Employees

Local 53 did not include all salary and expense reimbursements to employees in the

amount reported in Item 46 (To Employees). The union reported that \$4,892 was paid to employees during the fiscal year, but the audit revealed that the union actually paid \$22,976 to or on behalf of employees. All payments to employees for salary and expenses must be reported in Item 46 (less deductions).

Local 53 marked no for Item 17 (“Pay any employee salary, allowances, and other expenses which, together with any payments from affiliates, totaled more than \$10,000?”) This question should have been marked yes and the appropriate information included in Item 56 (Additional Information) as [REDACTED] was paid \$11,054 by the union during the fiscal year.

Local 53 incorrectly included [REDACTED] in Item 24 (All Officers and Disbursements to Officers). [REDACTED] was not an officer of the union and therefore should not have been included in Item 24. The payments to or on behalf of [REDACTED] should have been included in Item 46 (To Employees).

3. Failure to Properly Report Dues Received and Per Capita Tax Paid

Local 53 did not properly report dues received in Item 38 (Dues). The union reported in Item 38 that it received \$241,955 in dues in the fiscal year. However, the audit revealed that the union actually received \$87,963 in dues during the fiscal year. It appears that Local 53 reported the total amount of dues that were disbursed from the employers to the national for dues. If a parent body receives dues checkoff directly from an employer on behalf of your organization, only report the amount received by your organization in Item 38.

Local 53 did not properly report per capita tax disbursed in Item 47 (Per Capita Tax). The union reported \$207,587 in per capita tax disbursed. However, the audit revealed that the union did not make any disbursements for per capita tax during the fiscal year. It appears that Local 53 reported the amount retained by the national after receipt from the employers in per capita tax. If a parent body received dues checkoff directly from an employer on behalf of your organization and retains its portion of the dues as per capita tax, do not report the amount retained by the national in Item 47.

4. Failure to Properly Report Loans

The audit revealed that Local 53 [REDACTED] loaned Local 53 \$2,800 during the audit period. Local 53 failed to report the loan as a receipt in Item 43 (Other Receipts) on the LM-3 report. In addition, Local 53 failed to report the repayment of this loan in Item 54 (Other Disbursements). All receipts received during the fiscal year must be reported in one of the receipts categories in Item 38 through Item 43 and all disbursements made during the fiscal year must be reported in one of the disbursements categories in Item 45 through Item 54.

I am not requiring that Local 53 file an amended LM report for 2012 to correct the deficient items because of time period covered by the report and the fact that the union has filed several

other reports since that time. However, Local 53 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Signing Blank Checks

During the audit, then [REDACTED] advised that he occasionally signed blank checks. 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 the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 53 review these procedures to improve the internal control of union funds.

2. Signature Stamp

During the audit, then Local 53 [REDACTED] advised that Local 53 has a signature stamp. 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, the use of a signature stamp does not attest to the authenticity of the completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 53 review these procedures to improve the internal control of union funds.

I want to extend my personal appreciation to Local 53 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