



July 10, 2019

Mr. Gregory Simpkins, President
Government Employees AFGE, AFL-CIO
Local 778
P.O. Box 74533
Romulus, MI 48174

Case Number: 320-6014838
LM Number: 544-626

Dear Mr. Simpkins:

This office has recently completed an audit of Government Employees AFGE, AFL-CIO Local 778 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 June 4, 2019, 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 778's 2017 records revealed the following recordkeeping violations:

1. Disbursements to Vendors, General Reimbursed Expenses, and Debit Card Expenses

Local 778 did not retain adequate documentation for at least 307 disbursements to vendors and reimbursed officer expenses totaling at least \$67,342 during the audit year. For example, adequate supporting documentation was not retained for \$16,472 in debit card charges and a check issued to hotels for lodging expenses throughout the audit year. In support of these payments, Local 778 only retained the cancelled check and bank statements, which are not sufficient. During the audit, Mr. Simpkins advised that the hotel rooms were for travel conducted during 2017.

As another example, no receipts or invoices were retained for nine cash withdrawals totaling \$15,200. The union purpose was recorded in QuickBooks as "Recruiter Bonus," but Local 778 did not retain adequate documentation for the bonus bucks payments made to officers and members. When an officer or member is paid for signing up a new member in a bonus bucks membership drive, the union records should include the name of the officer or member that received the money and the name of the new member that joined the union.

Further, Local 778 did not retain adequate supporting documentation for 18 debit card charges for meal expenses totaling at least \$945. For example, adequate supporting documentation was not retained for a \$114.06 meal expense incurred by former President Vaughn Glenn at Mojito's Restaurant in San Juan, Puerto Rico on August 14, 2017. As another example, adequate supporting documentation was not retained for a \$131.25 meal expense incurred by you at Bob Evans Restaurant in Romulus, Michigan on December 18, 2017. The only document retained in support of these expenses were the bank statements, which is not sufficient.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. These itemized receipts are necessary to determine if such disbursements are for union business purposes. Records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. In addition, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses. 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. In the case of per diem payments to officers and employees for travel on union business, Local 778 must maintain records, which identify the dates of travel, the per diem rate being claimed for each date, and the union business purpose requiring the travel.

2. Disposition of Property

The audit revealed that Local 778 purchased gift cards totaling at least \$5,434 that it gave away at Local 778 sponsored events (i.e. picnic and Thanksgiving Holiday) in 2017. However, Local 778 did not maintain adequate records that identify the members that received these items.

Records must be retained which account for all union property. In the case of gift cards, merchandise, or other items given away to members, records must be maintained to clarify and support information required to be reported by Local 778 in Statements A (Assets and Liabilities) and B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-3). The value of any gift cards or similar property on hand at the beginning and end of the year should be reported in Item 30 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the Form LM-3 Report with the identity of the recipient(s) or donor of such property.

In addition, in the case of items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

3. Lack of Salary Authorization

Local 778 did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. During the opening interview, you and Mr. Glenn advised that the membership authorized monthly stipends for executive board officers in approximately 2016. However, you and Mr. Glenn admitted that the local probably did not maintain the meeting minutes that authorized the stipends, and the authorization for the stipends were not found in any of the meeting minutes provided during the audit. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries. During the exit interview, you agreed to get the stipends authorized, approved, and recorded in the minutes.

4. Lost Wages

Local 778 did not retain adequate documentation for lost wage reimbursement payments made to you, Vice President Jasmin Lauri, Chief Steward Xiomara Ramirez, and member [REDACTED] totaling at least \$5,150. The audit found that the only documentation retained for these charges were the cancelled checks and bank statements. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments* that contained a sample of an expense voucher Local 778 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

5. Failure to Retain Voided Checks

The audit revealed that Local 778 failed to retain 11 voided checks during fiscal year ended December 31, 2017. During the exit interview, you advised that you don't know why these 11 voided checks weren't retained. As a general rule, all types of records created or used in the normal course of doing union business must be maintained by the union for five years.

Based on your assurance that Local 778 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 778 for the fiscal year ended December 31, 2017 was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered "Yes" because Local 778 gave away gift cards totaling at least \$5,434 at a local picnic and at Thanksgiving in 2017. The union must identify the type and value of any property received or given away in Item 56 (Additional Information) of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories if appropriate such as "members" or "new retirees." In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Disbursement to Officers

Local 778 did not report Secretary Susan Olds and Vice Presidents Crystal Matthews, Yasman O'Kelly, and Ben Jackson as union officers in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The audit also revealed that Local 778 did not include disbursements for wages to officers totaling at least \$14,399 in the amounts reported in Item 24. The audit revealed that Local 778 officers were paid monthly stipends, reimbursed lost wages, bonus bucks, and/or a holiday payment. All disbursements for the purpose of gross salary, lost time, or time devoted to union activities must be reported in Column D. It appears that Local 778

erroneously reported these payments in Item 24 Column E (Allowances and Other Disbursements), Item 48 (Office and Administrative Expense), or Item 54 (Other Disbursements).

In addition, Local 778 did not include reimbursements to officers totaling at least \$33,100 in the amounts reported in Item 24, Column E. For example, many officers received per diem payments and other reimbursements while traveling on union business, including Mr. Glenn (26 payments totaling \$6,598), Treasurer Tiaest Mimms (7 payments for \$2,207), Vice President Jasmin Lauri (4 payments for \$2,250), Vice President Stephanie Hass (3 payments for \$1,746), and you (23 payments for \$5,425). It appears that Local 778 erroneously reported these payments in Item 48 or Item 54.

The union must report most direct disbursements to Local 778 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).

3. Disbursements to Employees

Local 778 did not include disbursements to employees totaling \$4,544 in the amounts reported in Item 46 (to Employees). It appears that the union erroneously reported these payments in Item 48 or Item 54.

The LM-3 instructions state that the amount to be reported in Item 46 includes all disbursements to individuals other than officers who receive lost time payments even if your organization does not consider them to be employees or does not make any other direct or indirect disbursements to them.

4. 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 778 amended its constitution and bylaws in 2016, but did not file the required copies with its LM report for that year. However, Local 778 has now filed a copy of its constitution and bylaws.

Mr. Gregory Simpkins

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I want to extend my personal appreciation to AFGE Local 778 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,

A large black rectangular redaction box covering the signature of the sender.A smaller black rectangular redaction box covering the name of the sender.

Acting Supervisory Investigator

cc: Ms. Tiaest Mimms, Treasurer