



September 22, 2022

Angela Patterson, Treasurer
AFGE Local 2459
3614 Leopard Dr.
Texarkana, TX 75501

Case Number: 420-6023665
LM Number: 501476

Dear Angela Patterson:

This office has recently completed an audit of AFGE Local 2459 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 President Washington on August 2, 2022, 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 2459's 2021 records revealed the following recordkeeping violations:

1. Disposition of Property

Local 2459 did not maintain an inventory of gifts to members, such as turkeys, jackets, t-shirts, umbrellas, and other property it purchased, sold, or gave away. The union must report the value of any union property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. The union must retain an inventory or similar record of property on hand to verify, clarify, and explain the information that must be reported in Item 30. The union must record in at least one record the date and amount received from each sale of union hats, jackets, and other items.

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.

2. Information not Recorded in Meeting Minutes

During the audit, Ms. Patterson advised OLMS that the membership authorized officers to spend \$20,000.00 in the procurement of union merchandise for members such as jackets, umbrellas, face masks, t-shirts, bags, and turkeys for Thanksgiving. Two checks that cleared in 2021 were written in November 2020, for face masks and turkeys. The local spent \$26,716.55 on those items, exceeding the approved amount. A review of the local's 2020 budget and membership meeting minutes revealed purchases over \$500.00 were not approved in accordance with the AFGE Constitution and Rules.

It is recommended that the local keep a more detailed budget and related meeting minutes, which indicate that the budget was reviewed and approved by the membership. Upon the occurrence that expenses may exceed the budgeted amount, the union should discuss approval with the membership prior to the disbursement. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

Based on your assurance that Local 2459 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 2459 for the fiscal year ended December 31, 2021, was deficient in the following areas:

1. Disbursements to Officers

Local 2459 did not include some reimbursements to officers for expenses such as bills, supplies, and travel in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported \$1,793 for Washington, \$423 for Roberts, and \$1,600 for Young. The amounts that should have been reported are \$1,839.35 for Washington, \$729.40 for Roberts, and \$1,679.73 for Young.

The union must report most direct disbursements to Local 2459 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. Contributions, Gifts, and Grants

Local 2459 did not report the purchase of jackets, umbrellas, face masks, t-shirts, bags, and turkeys for Thanksgiving totaling \$15,644.29 for the membership in Item 48 (Office and Administrative Expenses). It appears the local inaccurately reported \$235.00 in Item 51 (Gifts, Grants, and Contributions) and \$18,503.00 for Item 48 (Office and Administrative Expenses). The error occurred due to incorrectly reporting gifts to members in Item 48 rather than Item 51. Accurate amounts for Item 48 should have been \$16,256.00 and \$2,052.25 in Item 51.

Instructions for Form LM-3 Labor Organization Annual Report advise that disbursements such as rent, utilities, office supplies, postage, subscriptions, fidelity bond premiums, etc. all taxes assessed against and paid by your organization are classified as office and administrative expenses. The instructions further explain that contributions, gifts, and grants are defined as cash, property, goods, or other things of value given away.

Local 2459 has now filed an amended Form LM-3 for the fiscal year ended December 31, 2021, to correct the deficient items discussed above.

Other Issues

Expense Policy

The local's bylaws dated 2012 states that union Credit Cards will not have debit or ATM capabilities. While the local does not have credit cards. The president and treasurer each have a debit card which are directly connected to the union checking account. The officers

do not use a pin for the debit cards when making purchases and all payments are processed similar to a credit card at the time of transaction. The union needs to consider updating the local's credit card policy because they only use debit cards.

I want to extend my personal appreciation to AFGE Local 2459 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: Terence Washington, President
Shawn Roberts, First Vice President
Robert Young, Second Vice President
Hunter Minter, Secretary