



May 18, 2012

Mr. Alphonso Brownlee, President
Government Employees AFGE, AFL-CIO
Local Union 3731

Case Number: [REDACTED]
LM Number: 511-924

Dear Mr. Brownlee:

This office has recently completed an audit of Government Employees AFGE, AFL-CIO Local 3731 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 Secretary Armeritta Davis on May 10, 2012, 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 3731's 2008, 2009, 2010, and 2011 records revealed the following recordkeeping violations:

1. General Reimbursed and Debit Card Expenses

Local 3731 did not retain adequate documentation for reimbursed expenses and debit card expenses incurred by officers totaling at least \$22,348.79. For example, in 2011, union officers received \$1,154.15 in per diem payments and reimbursed expenses in which receipts were not maintained. Additionally, for years 2008 through 2010, Local 3731 did not maintain receipts totaling at least \$10,830 for ATM withdrawals and at least \$10,815 in debit card purchases for which receipts were not maintained, union business conducted was unknown, and debit card users could not be identified.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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. Meal Expenses

Local 3731 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$789.62 during 2008, 2009, 2010, and 2011. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 3731 records of the aforementioned meal expenses did not include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. Union 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. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Failure to Record Receipts

During the period January 2011 through August 2011, Local 3731 did not record in its receipts records employer dues checkoff receipts and monies received from banks for interest earned on savings accounts totaling at least \$13,820.63. For example, the local received \$13,815.07 in dues receipts by direct deposit and earned \$5.56 in interest, but the monies were not recorded in the union receipts records. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

4. Failure to Maintain Book Balances

Local 3731 did not maintain beginning and ending book balances for its checking and savings accounts. The instructions for the LM-3 report state that the checking account balances reported in Items 25(A) and Items 25(B) of the report should be obtained from

your organization's books as reconciled with the balances shown on the local's bank statements.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 3731's LM report. You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

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 (FormLM-3) filed by Local 3731 for the fiscal year ended December 31, 2011, was deficient in the following areas:

1. Disbursements to Officers

Local 3731 did not include some reimbursements to officers totaling at least \$1,813.92 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48.

The union must report most direct disbursements to Local 3731 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. Cash Reconciliation

Your union's reported cash figures for the reporting period do not balance (reconcile). Specifically, cash at the start of the reporting period (Item 25(A)) plus total receipts (Item 44) minus total disbursements (Item 55) does not equal cash at the end of the reporting period (Item 25(B)).

3. Financial Items

Items 26 (B) – 30(B) were not completed with a number or a zero. The LM-3 instructions require the local to enter a number or "0" in Items 25 through 37 (start and end of reporting periods).

Items 46, 47, 49, 50, 52, 53, and 54 (cash disbursements) were not completed with the appropriate number or "0." Items 46-54 must be completed with an appropriate number or "0."

Items 25(A) and 29(A) (items – start of reporting period) are not the same as the entries in Items 25 (B)) (asset items – end of reporting period) of your union's prior year Form LM-3, and there is no adequate explanation provided in Item 56.

Item 37(c) (net assets – start of reporting period) is not the same as the entry in Item 37(D) (net assets –end of reporting period) on your union's prior year Form LM-3 and there is no adequate explanation provided in Item 56 (additional information).

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 3731 amended its constitution and bylaws around 2006, but did not file the required copies with its LM report for that year. Local 3731 has now filed a copy of its constitution and bylaws.

Local 3731 must file an amended Form LM-3 for the fiscal year ended December 31, 2011, to correct the deficient items discussed above. I encourage Local 373 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended Form LM-3 should be filed electronically no later than May 22, 2012 or submitted to this office at the above address by the same date. Before filing, review the report thoroughly to be sure it is complete and accurate. Paper reports must be signed with original signatures.

Other Violation

The audit disclosed the following other violation:

Failure to Follow Bylaws

The officers of Local 3731 disbursed over \$500 in a month without obtain membership approval. For example, union officials disbursed at least \$1,116.73 in July and \$763.60 in January without membership approval. Section 18 of your union's bylaws states that disbursements by the executive board in excess of \$500 monthly must require prior membership approval.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 3731 does not have a clear policy regarding reimbursement for mileage and gas expenses. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Debit Card

From 2008 through 2010, there were at least \$10,380 in ATM withdrawals in which the purpose is unknown and the debit card user could not be identified. OLMS does not recommend one best policy for debit card use. However, we suggest your policy address the following issues in as much detail as possible, such as authorized users, authorized uses, and prohibited uses. Whatever your union's debit card policy and procedures, they should be committed to writing and either added to your union's bylaws or approved at an executive board or membership meeting and documented in the meeting minutes or other policy manual or document maintained by the union. For unions that utilize debit cards, it is vitally important to ensure that officials properly account for union funds. To be truly effective, debit card policies require regular "reviews" to make sure that they are being consistently followed.

3. Per Diem Payments

It appears that union officers received per diem in which they may not have been entitled to receive. For example two union officials were paid a daily per diem of \$71 for a five-day trip. However, the union officials should have been paid \$51 for three days and \$38 for two days. Each officer was paid \$126 in excess of the allowed amount.

Mr. Brownlee, you and Ms. Davis confirmed that the per diem is paid in accordance with the Government Services Administration (GSA) per diem rates. OLMS suggests that the local carefully review all per diem payments to ensure that the disbursements are proper and accurate.

I want to extend my personal appreciation to Government Employees AFGE, AFL-CIO Local 3731 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 black rectangular redaction box covering the name of the sender.

Investigator

cc: Ms. Armeritta Davis, Secretary
Mrs. Karen Davis, Treasurer