



May 8, 2013

Mr. Cecil McDowell, Secretary - Treasurer
AFGE LU 1822
4800 Memorial Center
Waco, TX 76711

Case Number: 420-14095 [REDACTED]
LM Number: 503635

Dear Mr. McDowell:

This office has recently completed an audit of AFGE LU 1822 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, President Fredna White, Vice President Derrick Mathis, Vice President Willa Thornton, Executive Secretary Nancy Bryant, Trustee Jeanene Hall, Trustee Paula Parrish, and Trustee Demetrice Davis on March 6, 2013, 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 1822's 2011 records revealed the following recordkeeping violations:

1. Bonus Bucks Payments

Local 1822 union failed to maintain all SF 1187s to support “Bonus Bucks” incentive payments to recruiters. Members that recruit new members into the union are paid a \$25.00 check from Local 1822. During the audit period, a total of 36 payments were made. The union only had SF 1187s to support 17 of those payments. The audit also disclosed that 19 SF 1187s were not processed by the human resource department. Union records of “Bonus Bucks” incentive payments must include the supporting SF1187s to support the payment. Also, the union should confirm with the human resource department that SF1187s are properly received and processed.

As noted above, labor organizations must retain original receipts, bills, vouchers or other supporting documentation 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. PAC Fund

Local 1822 failed to maintain records to support receipts and disbursements for the AFGE National PAC Fund. The local hosts an annual barbeque each year and monthly PAC drawing at membership meetings. The union’s records did not contain barbeque ticket sales information or records of funds received and disbursed. The union must record in at least one record the date and amount received from the sale of barbeque. The union must also record the monthly PAC drawing receipts and disbursements.

3. Retiree Membership List

Local 1822’s retiree membership list is not accurate. The union was unable to provide dues receipt information for all retirees. The union does not know the status of all retirees on its membership list. Many retirees are no longer paying dues and are deceased or living in a nursing home. 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.

Based on your assurance that Local 1822 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 1822 for the fiscal year ended December 31, 2011 was deficient in the following areas:

1. Disbursements to Officers

Local 1822 did not report the names of some officers and the total amounts of payments to them or on their behalf 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 union must report most direct disbursements to Local 1822 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. "Bonus Bucks" Disbursements

Local 1822 did not include any "Bonus Bucks" disbursements to officers totaling at least \$900.00 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements). The union must report most direct disbursements to Local 1822 officers.

3. Other Disbursements

Local 1822 incorrectly reported office supply purchases, per capita payments, and disbursements to members in Item 54 (Other Disbursements) on the LM-3 report. These disbursements should have been reported under "Office and Administration," "Per Capita," and "To Employees."

4. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Local 1822's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

Local 1822 has now filed an amended Form LM-3 for the fiscal year ended December 31, 2011, to correct the deficient items discussed above. I encourage Local 1822 to complete, sign, and file its *future* report electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The Form LM-3 should be filed annually no later than March 31. Before filing, review the report thoroughly to be sure it is complete and accurate.

Paper reports must be signed with original signatures.

Other Issues

1. Bank and Book Reconciliation

Local 1822's bank and book balance never reconciles due to the bank having a different reporting period than the union's records. It is recommended that the union reconciles its bank statements monthly.

2. Outdated Bylaws

Local 1822's bylaws are outdated. The latest bylaws are dated 1975 and does not reflect current officer allowances or union guidelines which are found in the meeting minutes. It is recommended that the union updates its bylaws to reflect its current changes.

3. Credit Card Balance

Local 1822 is carrying a balance on the union credit card. During the audit period, the union paid the credit card company \$781.43 in interest fees. It is recommended, if possible, the union should pay the credit card balance in full to avoid fees.

4. Safe Deposit Box

Local 1822 has a safe deposit box at its bank. The keys and content of the box are unknown to the current officers. The local pays the bank \$20.00 per year to maintain the box. It is recommended that the local discover what's in the box and terminate services.

I want to extend my personal appreciation to AFGE LU 1822 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: Ms. Fredna White, President
Mr. Derrick Mathis, Vice President
Ms. Willa Thornton, Vice President
Ms. Nancy Bryant, Executive Secretary
Ms. Jeanene Hall, Trustee
Ms. Paula Parrish, Trustee
Ms. Demetrice Davis, Trustee