



December 17, 2013

Ms. Lois Ames, President
Government Employees, AFGE, Local 1882
1411 South 11th Avenue
Fort McCoy, WI 54656-5127

Case Number: 320-3308910()
LM Number: 504076

Dear Ms. Ames:

This office has recently completed an audit of Government Employees, AFGE, Local 1882 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, Treasurer Joanne Kemp, Sergeant at Arms Dave Ames, and Office Manager Jim Oliver on November 21, 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 1882's 2012 records revealed the following recordkeeping violations:

1. Failure to Keep Adequate Records of Receipts

Local 1882 did not record receipts deposited to the PAC Fund in its records. In addition, Local 1882 failed to keep adequate records of other receipts including dues, insurance premiums, and steward banquet ticket sales.

- **PAC Fund Receipts:** Local 1882 did not maintain any records of receipts to the Local 1882 PAC Fund. Treasurer Joanne Kemp advised that she did not record receipts to the PAC Fund in any union record during 2012. According to bank statements for the account, Local 1882 deposited funds to this account totaling more than \$550 during 2012. However, there is no union record that identifies the date the money was received, the amount that was received on each date, or the source of the money.
- **Dues and Insurance Premium Payments:** Local 1882 recorded all of its receipts (other than the PAC fund) in a "Cash Receipts" ledger. Treasurer Kemp advised that at the end of each month, she recorded all of the deposits appearing on the bank statement for the general fund checking account as receipts in the ledger for that month. All receipts were recorded in the ledger using the date of deposit, not the date the union received the money. Further, the local maintained no other record that identified the dates the monies were received. A majority of the local's receipts were received from the Defense Finance and Accounting Services (DFAS) by direct deposit into the union's checking account. However, retirees pay both dues and health insurance premiums by check to the local. The local keeps original checks until a number of checks are on hand, and then the checks are deposited. Checks are not necessarily deposited the day they are received. The date of receipt is required to be recorded in union records to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-2). The LM-2 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different year than when it actually received them.

In addition, the recorded purposes of many of the union's receipts were incorrectly identified. As an example, Local 1882 received more than \$350,000 from DFAS, including dues remittance of approximately \$287,000 and insurance premium deduction of approximately \$65,000. However, all receipts from DFAS were classified as "dues" receipts in the union's receipt records.

- **Ticket Sales for Steward Banquet:** Local 1882 sold tickets to members to attend the annual Steward Banquet. Advance tickets were sold by many people in various locations throughout the month of December and January. Tickets were also sold at the door on the night of the event. The only record maintained in support of the ticket sale receipts received for the banquet was a single line item entry in the cash receipts journal which identified the deposit date of the income, the source of the income as

“Steward Banquet,” and the purpose as “other.” No additional records were maintained that identified the names of those who collected the ticket money, how much was collected by each person, or the dates on which the money was collected.

With regard to all receipts, records must be maintained that include an adequate identification of all money received. The records should show the date and amount received, and the source of the money.

2. Supporting Documentation for Checks and Credit Card Expenses Not Retained

Local 1882 did not retain adequate documentation for disbursements and expenses, including credit card expenses, totaling more than \$20,000.

With regard to non credit card disbursements, Local 1882 failed to retain adequate documentation for disbursements totaling approximately \$3,000. As an example Local 1882 did not retain adequate supporting documentation for check [REDACTED] to [REDACTED] in the amount of \$1,508. The only documentation retained in support of this payment was a short memo in the check ledger that read “dues reimbursement.”

Local 1882 failed to retain adequate supporting documentation, including credit card statements, for over \$17,000 in expenses charged to Union Plus MasterCard used by you, Ms. Kemp, and former Executive Vice President [REDACTED]. For example, on 1/19/12, Local 1882 disbursed check [REDACTED], dated 1/19/12 to Union Plus MasterCard in the amount of \$7,790; however, Local 1882 did not retain the credit card statement or any supporting documents in support of this disbursement. Local 1882 is required to maintain both the credit card statements and adequate supporting documentation for individual charges on the statement. You stated that the credit card is used only for union-related travel and other expenses and that you were unaware that the credit card statements and receipts were not maintained. During the Organizational Interview at the beginning of the audit, Ms. Kemp stated that she normally retained both types of records. During the audit, the union obtained copies of the missing credit card statements and it appears all of the expenses were either for office supplies or related to union business travel.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer (or corresponding principal officers), who are required to sign your union’s LM report, are responsible for properly maintaining union records.

3. Lack of Authorization for Employee Compensation

Local 1882 has one employee, Office Manager James Oliver. The LM-2 report indicates Mr. Oliver was paid \$10,113 in salary during 2012. However, Local 1882 did not maintain records to verify that the salary reported in Schedule 12 (Disbursements to Employees) of the LM-2 was the authorized amount and was therefore correctly reported. Local 1882 must keep a record, such as meeting minutes, to show the current salary authorized by the entity or

individual with the authority to establish salaries. Local 1882 also pays for certain benefits on behalf of Mr. Oliver, including health and dental insurance premiums; however, Local 1882 failed to maintain records that verify that those benefit payments were authorized and were paid in the correct amounts.

Section 20 of the Local 1882 bylaws provides that the local can employ part time office manager(s), and the conditions of employment, salary and benefits are to be negotiated and approved by the membership in December of each year. You advised at the exit interview that the office manager's employment, salary and benefits have never been formally discussed at a local membership meeting as prescribed in the bylaws. Local 1882 agreed to provide documentation of the authorization for salary and benefit payments to or on behalf of the office manager after the matters have been discussed and approved by both the executive board and the membership.

4. Disbursements to Officers and Employees

Adequate supporting documentation was not retained for reimbursed expenses paid to officers and employees totaling more approximately \$3,300. During the organizational interview, you and Treasurer Kemp advised that officer and employees are required to complete vouchers and submit supporting documentation for travel expenses; however, this was not the case for some reimbursed expenses. For example, no documentation, including a voucher or other supporting documents, was found in the union's records for check # [REDACTED] to [REDACTED] in the amount of \$955.03. Neither you nor Ms. Kemp were sure why the documentation was missing, and advised that the union will not reimburse expenses in the future until vouchers are completed and all expenses have the necessary supporting documentation. Original receipts, bills, and vouchers for all disbursements must be maintained.

In addition, mileage claims that were documented on vouchers totaling approximately \$700 were not sufficient because the claims did not identify the destinations of travel. The departing destination and arrival destinations for mileage claims must be documented in order to verify the legitimacy of the number of miles being claimed. Local 1882 must maintain mileage records which identify the dates of travel, locations traveled to and from, the number of miles driven, and the business purpose of each use of a personal vehicle for business travel by an officer or employee.

Based on your assurance that Local 1882 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-2 filed by Local 1882 for the fiscal year ended December 31, 2012, was deficient in the following areas:

1. PAC Funds

Item 11 [LM-2] (During the reporting period did your organization have a political action committee (PAC) fund?) was incorrectly answered, "No." Local 1882 had a PAC fund during 2012. As stated in the LM-2 report instructions, PAC funds kept separate from your union's treasury need not be included in your union's LM report if publicly available reports on the PAC funds are filed with a federal or state agency. However, the audit revealed that although Local 1882's PAC funds were kept in a separate bank account, the local has not filed reports on the fund with any other federal or state agency and therefore the financial activities of the PAC fund must be included in Local 1882's LM-2 report.

2. Acquire/Dispose of Property

Item 15 [(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 1882 gave away more than \$500 in various door prizes at the steward banquet held in January 2012. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

3. Reporting of Receipts

The audit revealed that Local 1882 received more than \$300,000 in dues during the year; however, the union only reported \$293,777 in Item 36 (Dues and Agency Fees). According to Ms. Kemp and Accountant Jerome Leis, it appears a portion of the dues collected was erroneously categorized as insurance premium receipts and reported in Item 47 (From Members for Disbursement on Their Behalf).

4. Reporting of Disbursements

Local 1882 properly reported total disbursements of \$456,599 on its 2012 LM-2. However, the union misreported over \$200,000 as follows:

- Failure to report disbursements for representational activities: During the audit, you advised that a majority of the local's disbursements were for the purpose of representing members of Local 1882; however, Local 1882 reported no disbursements in Schedule 15 (Representational Activities). The LM-2 instructions for Schedule 15 state that disbursements to reported include direct and indirect disbursements to all entities and individuals that are associated with the preparation

of, and participation in, the negotiation, administration, and enforcement of agreements made by the labor organization. The union must also report disbursements associated with efforts to become the exclusive bargaining representative for any unit of employees, or to keep from losing a union in a decertification election or to another labor organization, or to recruit new members.

- Disbursements to Officers and Employees: Local 1882 did not include some payments to officers and employees in the amounts reported in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). For example, Office Manager Jim Oliver received payments of over \$1,800 from Local 1882 that were not wages, including funds to replenish petty cash and reimbursement for election and meal expenses. However, Local 1882 reported \$0 in Schedule 12 in Column F (Disbursements for Official Business).

The audit also revealed that all expense reimbursements made to officers and employees during the audit year were for expenses necessary for conducting official union business. However, Local 1882 reported over \$8,300 in reimbursed expense payments to officers in Column G (Other Disbursements not reported in D through F) of Schedule 12. Expenses that are generally reported in Column G include those that were for the personal benefit of the officer and not necessary for conducting official union business.

Direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business must be reported in Column F of Schedules 11 and 12 (Disbursements for Official Business). In addition, indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur must be reported in Column F of Schedules 11 and 12. However, indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business must be reported in Schedules 15 through 19. Any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business must be reported in Column G (Other Disbursements) of Schedules 11 and 12.

- Benefit Payments: Local 1882 disbursed funds totaling more than \$1,000 to AFLAC and Delta Dental for insurance premiums for Mr. Oliver. These were benefit payments made by the union for Mr. Oliver and therefore are required to be reported as such in Schedule 20 (Benefits). It appears the local erroneously reported these funds in Item 64 (on Behalf of Individual Members).
- Failure to Itemize Disbursements: Local 1882 did not properly report several "major" transactions in Schedule 18 (General Overhead). A "major" transaction includes any individual transaction of \$5,000 or more or total transactions to any single entity or individual that aggregate to \$5,000 or more during the reporting period and which the local cannot properly report elsewhere in Statement B. The audit found that at least

two major individual transactions were not itemized in Schedule 18, including check [REDACTED] to [REDACTED] in the amount of \$8,928 and check [REDACTED] to the Tee Pee Restaurant in the amount of \$8,165.20. These items were grouped together and reported in the non-itemized "other disbursements" section of Schedule 18.

During the exit interview, we discussed several ways Local 1882 can improve its records of disbursements that will allow the local to accurately report these transactions on future LM-2 reports.

I am not requiring that Local 1882 file an amended LM-2 report for 2012 to correct the deficient items, but Local 1882 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

Bonding

Pursuant to 29 C.F.R. Section 458.35, officers and employees of any labor organization subject to the CSRA are required to be bonded in accordance with Section 502(a) of the LMRDA. This provision requires that union officers and employees be bonded for no less than 10% of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that Local 1882's officers and employees were not bonded for the minimum amount required at the time of the audit. The union was bonded for \$45,000, but had assets and receipts that would require bonding of at least \$48,392. The union's assets and receipts declined during 2013, and it appears that the current amount the union will be required to be bonded for in 2014 may be less than \$45,000. You have agreed to review the local's bonding calculation at the end of 2013 and obtain additional bonding coverage if necessary. As a result, OLMS will take no further enforcement action regarding this issue.

Other Issue

Credit Card Policy

During 2012, Local 1882 disbursed more than \$20,000 to Union Plus MasterCard Travel for credit card charges incurred by officers; however, Local 1882 has no written policy governing the use of the credit card. To ensure compliance with the LMRDA and to safeguard union assets by promoting transparency and accountability, labor organizations should establish a written policy that outlines the best practices for monitoring credit card use and administering payments within your union. OLMS recommends that unions (1) adopt clear policies and procedures for credit card use and payment, (2) maintain detailed documentation to support each credit card charge and credit card payment, and (3) regularly monitor compliance with the established credit card policies and procedures. Please see the attached compliance tip regarding union credit card policies for additional information.

I want to extend my personal appreciation to Government Employees, AFGE, Local 1882 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. Joanne Kemp, Treasurer
Mr. Richard Green, 1st Vice President
Mr. Brian Schaitel, 1st Vice President
Mr. David Clark, Chief Steward