



November 08, 2016

Mr. Marshall Harris, President
Government Empls NAGE SEIU AFL-CIO
LU 05-66
P. O. Box 40832
Memphis, TN 38174

Case Number: 410-6009424
LM Number: 502-855

Dear Mr. Harris:

This office has recently completed an audit of Government Empls NAGE SEIU AFL-CIO LU 05-66 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-Treasurer Melvin Jackson on November 3, 2016, 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.

Reporting 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 05-66's records for fiscal year ending August 31, 2016 revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 05-66 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$613.95. For example, an officer was reimbursed \$358.96 for airfare, but the local did not retain documentation to support the expenditure. Another officer was reimbursed \$255 for door prizes, but receipts were not maintained for the expenditures.

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. Failure to Record Receipts

Local 05-66 did not record in its receipts records some employer dues checkoff checks and interest earned on its checking account totaling at least \$1,213.80. For example, the local received a dues refund check for \$1,203, but did not record the receipt in its receipt records. Additionally, the local earned in \$10.80 in interest on its checking account during the audit year, but failed to record the interest in its 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.

3. Receipt Dates not Recorded

Entries in Local 05-66's check stubs did not reflect the date money was received. Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 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.

4. Deposit Records

Local 05-66 failed to maintain deposit transaction receipts totaling at least \$4,070. As previously stated, unions must maintain all types of records used in the normal course of doing union business. The union must maintain bank deposit records for all accounts.

5. Disbursements not Recorded

Local 05-66 did not enter in its disbursements records checks totaling at least \$997.02. For example, the union wrote a check for \$430.32 and another check for \$566.70, but did not enter the checks in its check stubs. Union disbursement records should include, at a minimum, the date of the disbursement, payee, amount, and purpose.

6. Meeting Minutes

During the audit, Mr. Harris advised OLMS that Local 05-66's executive board approved to donate \$600 to the Emergency Management Services in honor of Nurses Week at its August 5, 2015 meeting. Article IV, Section 15 of the Constitution and Bylaws of the National Association of Government Employees, adopted at the 2014 Convention, September 9-11, 2014, states, "Records of the Local Units, including: Bank statements, financial records, checks, correspondence, grievances, grievance records, notes and minutes of official meetings shall be maintained for six years (6) years from the end of the most recent fiscal year." However, Local 05-66 maintained no minutes of that meeting. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

7. Door Prizes

Local 05-66 gave away door prizes during its Christmas party, but did not maintain any records identifying the recipients of those prizes and did not retain the tickets used for the drawings. The union must retain records that identify the date the items were given away and the recipients of those items.

Based on your assurance that Local 05-66 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 05-66 for the fiscal year ended August 31, 2016, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 [LM-3] (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 the union gave away shirts, gift cards, and a cap totaling more than \$500 during the year. The union must identify the type and value of any property received or given away in the additional information section 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. Disbursements to Officers

Local 05-66 did not include some reimbursements to officers totaling at least \$1,180 in the amounts reported Item 24 (All Officers and Disbursements to Officers, and it appears these payments were not reported elsewhere on the report. The union must report most direct disbursements to Local 05-66 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. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Local 05-66'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.

4. Fidelity Bond

Local 05-66 did not enter the correct amount of its maximum amount recoverable for a loss in Item 20 (Fidelity Bond). The union's fidelity bond has an indemnity amount of \$15,000, but the local entered "0" in Item 20. The LM-3 instructions require labor organizations to enter the maximum amount recoverable for a loss caused by any officer, employee, or agent of who handled your union's funds. A labor organization only enters "0" if a fidelity bond did not cover it during the reporting period.

5. Fixed Assets

Local 05-66 did not report in Columns (A) and (B) of Item 29 (Fixed Assets) the book value of its assets at the start and end, respectively, of the reporting period. For example, the report does not show the value of the union's computer and printer that the union

purchased in 2014. The LM-3 instructions require labor organizations to report the book value of its fixed assets, such as land, buildings, automobiles, and office furniture and equipment.

6. Dues

Local 05-66 failed to report in Item 38 dues refunds that it received from its parent body totaling at least \$15,189. It appears the union erroneously reported \$1,197 in dues refunds in Item 39 (Per Capita Tax), but did not indicate on the report the remaining refund dues it received.

The LM-3 instructions require labor organizations to enter the total dues received by your organization in Item 38. If an intermediate or parent body receives dues checkoff directly from an employer on behalf of your organization, do not report in Item 38 the portion retained by that organization for per capita tax or purposes such as a special assessment. Additionally, in Item 39, enter the total per capita tax received by your organization if your organization is an intermediate or parent body; otherwise, enter "0."

7. Other Receipts

Local 05-66 did not enter some miscellaneous receipts totaling \$675 in Item 43 (Other Receipts). For example, the union received \$175 in refundable deposits and an officer refund of \$500, but did not report these receipts on the LM report. The LM-3 instructions require labor organizations to enter all receipts of your union other than those reported in Items 38 through 42.

8. Office and Administrative Expenses

Local 05-66 failed to report \$110 in Item 48 (Office and Administrative Expenses). The LM-3 instructions require organizations to report total disbursements for its ordinary office and administrative expenses such as rent, utilities, office supplies, postage, subscriptions, fidelity bond premiums, etc.

9. Professional Fees

Local 05-66 disbursed \$2,355 in arbitration fees during the audit year, but did not report the expenses in Item 49 (Professional Fees) of the LM-3 report. According to the LM-3 instructions, an organization must enter its total disbursements for outside legal and other professional services (auditing, economic research, computer consulting, arbitration, etc.). Additionally, include any disbursements made for the expenses of individuals or firms providing professional services to your organization.

10. Contributions, Gifts, and Grants

Local 05-66 did not enter in Item 51 (Contributions, Gifts, and Grants) \$5,713 in donations or contributions that it disbursed during the audit year. The LM-3 instructions require organizations to enter the total of all disbursements for contributions, gifts, and grants for the reporting period.

11. Other Disbursements

Local 05-66 did not include in Item 54 (Other Disbursements) some other disbursements that it made during the audit year. The union only reported disbursements totaling \$5,713 in Item 54, but it should have reported \$25,943 in disbursements. The LM-3 instructions state Item 54 should include all disbursements made by your organization that were not reported in Items 45 through 53.

On November 3, 2016, Local 05-66 electronically file an amended Form LM-3 for the fiscal year ended August 31, 2016, to correct the deficient items discussed above.

Failure to Follow Constitution and Bylaws

Treasurer's Reports

Local 05-66 did not prepare financial reports during the audit year. Article IV, Section 12, of the National Constitution and Bylaws of the National Association of Government Employees requires local units to present a financial report, including supporting data, at every meeting.

Other Issues

1. Book Balance

Local 05-66 failed to conduct a monthly reconciliation of the union's book balances with the bank statements. According to the LM-3 instructions, the checking account balances reported in Columns (A) and (B) of Item 25 (Cash) should be obtained from your union's books as reconciled with the balances shown on the bank statements.

2. Receipts not Deposited

Local 05-66 received a deposit refund of \$25 on or about September 26, 2015, but the check was deposited into Mr. Jackson's personal banking account instead of the union's checking account. Union officers and employees have a fiduciary responsible to protect and account for all union funds. It is important to deposit all union funds into the union's account. As of November 4, 2016, Mr. Jackson reimbursed the amount to the union.

I want to extend my personal appreciation to Government Empls NAGE SEIU AFL-CIO LU 05-66 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: Mr. Melvin Jackson, Secretary-Treasurer