



November 16, 2016

Ms. Germaine Clarno, President  
AFGE Local 781  
P.O. Box 1453  
Hines, IL 60141

Case Number: 310-6009332(77)  
LM Number: 544-808

Dear Ms. Clarno:

This office has recently completed an audit of AFGE Local 781 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, Vice President Mark Ellis, Treasurer Raul Cedillo, and Chief Steward Alberto Galvez on October 21, 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.

#### 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 781's 2015 records revealed the following recordkeeping violations:

1. General Expenses

Local 781 did not retain adequate documentation for expenses incurred by its officers totaling approximately \$1,032.50. For example, Local 781 did not retain adequate documentation regarding a \$280 disbursement to the Chicago Federation of Labor.

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 781 records for meal expenses did not include the names or titles of attendees to approximately 16 union sponsored events for which food totaling \$1,164.64 was purchased. These union sponsored events included new employee orientations, lunch and learn events, and stewards' training. Union records of meal expenses must include the full names and titles of all persons for which restaurant charges were incurred.

## 3. Disposition of Property

Local 781 did not maintain an inventory of union t-shirts and Dunkin Donuts gift cards it purchased and gave away. During the audit period, the union purchased 45 t-shirts costing \$590.07 and 200 \$5.00 Dunkin Donuts gift cards costing \$1,000. The union must report the value of any union property it had on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3 Report. 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. In addition, in the case of items given away to members, the union must retain records that identify the dates the items were given way and the recipients of those items.

## 4. Failure to Record a Receipt

Local 781 did not record in its receipt records a direct dues payment from a member totaling \$299. Union receipts must include an adequate identification of all money the union receives. The records should show the date, amount, and the source of all receipts.

## 5. Information not Recorded in Meeting Minutes

During the audit, you advised OLMS that the membership authorized the purchase of 200 \$5.00 Dunkin Donuts gift cards costing \$1,000 during a monthly meeting. Such membership approval is required by Article VIII (Executive Board and Committees), Section 3 of Local 781's Constitution. However, the minutes of all the meetings held in 2015 do not contain any reference to this purchase. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

## 6. Petty Cash Fund

Local 781 did not maintain a record of all disbursements made from its petty cash fund. At the time of the audit, Local 781 had \$5.25 in its petty cash fund, but the last balance entry dated April 3, 2013 reported a balance of \$47.86. Local 781 did not maintain a record regarding the missing \$42.61. As noted previously, labor organizations must retain original receipts, bills, and vouchers for all disbursements.

Based on your assurance that Local 781 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

### Reporting Violations

#### 1. Acquire / Dispose of Property

Item 13 (During the reporting period did you labor organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," as the union gave away an unknown number of t-shirts and Dunkin Donuts gift cards 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 781 did not include reimbursements to officers totaling at least \$9,837.00 and indirect disbursements to officers totaling \$184.43 in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expenses).

The union must report most direct disbursements to Local 781 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(A) & 25(B) (Cash) are not the figures according to Local 781'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 the bank statements.

4. Item 29 (Fixed Assets)

Local 781 reported having no fixed assets at the start and end of the fiscal year in Item 29 (A) (Fixed Assets) and 29(B) on its 2015 LM-3 Report. Per Local 781's asset list, the local had approximately \$1,836.98 in fixed assets at the start of the fiscal year and \$2,336.97 at the end of the fiscal year. The instructions for Item 29 require labor unions to report the book value of its fixed assets at the start and the end of the reporting period.

5. Item 30 (Other Assets)

Local 781 reported having no other assets at the end of the fiscal year in Item 30(B) (Other Assets) on its 2015 LM-3 Report. During the audit period, the union purchased 45 t-shirts costing \$590.07 and 200 \$5.00 Dunkin Donuts gift cards costing \$1,000.00. At the time of the compliance audit, Local 781 still had 14 t-shirts and 125 gift cards remaining. The instructions for Item 30 require labor unions to report the book value of its other assets at the start and the end of the reporting period.

6. Item 41 (Interest and Dividends)

Local 781 failed to report \$2.78 in interest it received in Item 41 (Interest and Other Dividends) on the 2015 LM-3 Report. It appears that the union erroneously reported these receipts in Item 38 (Dues). The instructions for Item 41 require labor unions to report the total amount of interest and dividends it received from savings accounts, bonds, mortgages, loans, investments, and all other sources.

7. Item 43 (Other Receipts)

Local 781 failed to properly report a \$95.59 payment made by yourself due to your accidental use of the union credit card for personal expenses. It appears that the union erroneously reported this receipt in Item 38 (Dues). The instructions for Item 43 require labor unions to report receipts other than those reported in Items 38 through 42.

Local 781 must file an amended Form LM-3 for the fiscal year ended December 31, 2015, to correct the deficient items discussed above. I encourage Local 781 to complete, sign, and file its

report electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://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 December 2, 2016 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 Violations

##### Inadequate 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.

Local 781's officers were not bonded for the minimum amount required at the time of the audit. However, Local 781 obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

#### Other Issues

##### 1. Credit Card Policy

As I discussed during the exit interview with you, the audit revealed that the local does not have a clear policy regarding the types of expenses personnel may incur on the Local 781's credit cards. OLMS recommends that unions adopt written guidelines concerning such matters.

##### 2. Personal use of Credit Cards

The audit revealed that you accidentally used the union credit card of personal expenses. Although you reimbursed the union for the expenses, OLMS recommends against allowing union officers to make personal purchases with a union credit card as this may lead to a misuse of union funds.

##### 3. Lost Time Policy

The audit revealed that Local 781 does not have a clear policy regarding when lost time payments are authorized. OLMS recommends that union adopt written guidelines concerning such matters.

I want to extend my personal appreciation to Local 781 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and

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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,



Senior Investigator

cc: Mr. Raul Cedillo, Treasurer