



September 26, 2016

Mr. John Evans, President
Government Security Officers
Local 289
PO Box 14648
Detroit, MI 48214

Case Number: 320-6007161 [REDACTED]
LM Number: 544235

Dear Mr. Evans:

This office has recently completed an audit of Government Security Officers under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with you and Treasurer Robert Lee on September 16, 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 requires, among other things, that adequate records be maintained for at least 5 years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, 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 note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained, and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 289's 2015 records revealed the following recordkeeping violations:

1. Failure to Maintain Receipt Records

The audit revealed that Local 289 did not retain deposit slips or deposit receipts for dues payments totaling \$19,586.31 that were received during 2015. During the exit interview, Mr. Lee stated that the deposit slips and deposit receipts were not retained due to negligence.

As previously noted, Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that labor organizations maintain adequate records for at least five years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, labor organizations must maintain all records used or received in the course of union business.

2. Reimbursed Officer and Debit Card Expenses

Local 289 did not retain adequate documentation for payments to officers and approximately 120 debit card expenses incurred by you and Mr. Lee totaling at least \$7,174.66. For example, on January 22, 2015, Mr. Lee was reimbursed \$148.30 for antivirus software from Kapersky Compensation Protection; however, Local 389 retained no supporting documentation for this reimbursement. As another example, the union failed to retain adequate supporting documentation for \$3,398.83 in expenses charged to the union debit cards assigned to you and Mr. Lee for gas at Sunoco and meals, for example at Clover Leaf Pizza, Lil Thai Express, Original Pancake House, and Wing Lee Chinese. In support of these charges, the union only retained the bank statements, which is not sufficient.

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.

3. Lost Wages

Local 289 did not retain adequate documentation for lost time reimbursement payments to you, Mr. Lee, Vice President Deborah Ward, and former [REDACTED] Lind for 21 instances totaling at least \$6,785.16. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The audit found that the only supporting documentation Local 289 retained for lost time payments was an annotated check stub that identified the number of lost hours and pay rate claimed. In all of the 21 instances where lost wages were claimed by the above officers, the annotated check stubs failed to identify the dates that the lost time was incurred and did not include an adequate description of the union business that was conducted when the wages were lost.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments* that contained a sample of an expense voucher Local 289 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for lost wages and other officer expenses.

4. Lack of Salary Authorization

Local 289 did not maintain records to verify that the salaries reported in Column D (Gross Salary) of Item 24 (All Officer and Disbursements to Officers) and Item 46 (To Employees) of the LM-3 were the authorized amounts and therefore were correctly reported. The audit revealed that you, Mr. Lee, and the stewards were paid monthly wages between \$47.44 and \$1,541.80; however, a review of the union's records revealed no authorization for these salary payments. During the audit, you and Mr. Lee stated that the membership approves all union officers' and employees' salaries and stipends on a quarterly basis at the membership meeting(s); however, a review of the union meeting minutes from July 20, 2013 through April 18, 2015 disclosed no authorization for the stewards' or officers' salaries. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

5. Failure to Retain Records for Items Given Away

Local 289 gave away gift cards from Meijer and Target totaling at least \$500 that were donated to an unknown church in either November or December of 2015, but retained no documentation that identified the recipient(s) of the gift cards. In addition, the union did not maintain the receipts for the gift cards that were purchased.

Records must be retained which account for all union property to clarify and support information required to be reported by Local 215 in Statements A and B of the Form LM-3. The type and value of any property received or given away must be identified in the additional information section (Item 56) of the Form LM-3 with the identity of the recipient(s) or donor of such property. In addition, the value of any property on hand at the beginning and end of the year should be reported in Item 30 (Other Assets). Further, 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 regarding items that are disposed of in a manner other than by sale.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 289'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 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.

Based on your assurance that Local 289 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations. However, Local 289's records will be reviewed by OLMS again within the next year to ensure that the recordkeeping violations noted above have been corrected.

Reporting Violations

The audit disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-3) filed by Local 289 for the fiscal year ended (FYE) December 31, 2015, was deficient in the following areas:

1. LM-3 Item 24 (All Officers and Disbursements to Officers)

Local 289 did not include some reimbursements to officers totaling at least \$2,578 in the amounts reported Item 24 (All Officers and Disbursements to Officers). For example, there was at least \$2,200 in debit card expenses made by you and Mr. Lee for meal and gas reimbursements, but Local 289 did not report any of these debit card expenses in Column E (Allowances and Other Disbursements) of Item 24. It appears the union erroneously reported these payments in Column D (Gross Salary) of Item 24 or in Item 48 (Office and Administrative Expense).

In addition, Local 289 did not report former Chief Steward [REDACTED] and the total amount of payments to him or on his behalf in Item 24. 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.

Most direct disbursements to Local 289 officers and some indirect disbursements made on behalf of its officers must be reported 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 for room rent only) 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. Dues Receipts (Item 38)

Local 289 failed to report some dues income in Item 38 (Dues). During the opening interview, you and Mr. Lee stated that the union's only source of income is from dues, which were paid to the local by check and/or money order by members or from the Government Security Officers National Union. A review of the local's bank statements

during the FYE December 31, 2015 revealed that Local 289 received \$16,688.64 in receipts; however, the union only reported \$13,459 in Item 38. As another example, the local received \$29,513.97 in receipts during FYE December 31, 2014, but only reported \$8,757 on the Form LM-3.

The LM-3 instructions state that all dues income received by your organization must be reported in Item 38. This includes dues received directly from members, dues received from employers through a checkoff arrangement, and dues transmitted to your organization by a parent body or other affiliate. You must also report the full dues received, including any portion that will later be transmitted to an intermediate or parent body as per capita tax.

3. Acquire/Dispose of Property

Item 13 (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 gift cards totaling \$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.

I am not requiring that Local 289 file an amended LM report for 2015 to correct the deficient items, but Local 289 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Debit Card Policy

During the opening interview, you advised that both you and Mr. Lee are assigned union debit cards that are associated with Local 289's general fund checking account at Charter One Bank. Mr. Lee also advised that you and Mr. Lee are authorized to use the union debit card to purchase office supplies, meals, and gas while on union travel; however, the audit found that Local 289 has no written policy regarding the use of the union's debit cards. To ensure compliance with the LMRDA and safeguard union assets by promoting transparency and accountability, labor organizations should establish a clear written policy that outlines the best practices for monitoring debit card use and administering payments within your union. OLMS recommends that unions (1) adopt clear policies and procedures for debit card use, (2) maintain detailed documentation to support each debit card charge, and (3) regularly monitor compliance with the established debit card policies and procedures. Please refer to the OLMS Compliance Tip Publication "Union Credit Card Policy" that was provided to you at the exit interview for additional information regarding such policies.

I want to extend my personal appreciation to Government Security Officers Local 289 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 area.A smaller black rectangular redaction box covering the name of the investigator.

Investigator

cc: Mr. Robert Lee, Treasurer