



January 26, 2017

Mr. Shirley Parker-Blommel, President
AFGE Local 390
[REDACTED]

Case Number: 320-6009399 [REDACTED]
LM Number: 502730

Dear Mr. Parker-Blommel:

This office has recently completed an audit of AFGE Local 390 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 Treasurer Karen Rupp on January 17, 2017, 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 390's 2016 records revealed the following recordkeeping violations:

1. Credit Card and General Reimbursed Expenses

Local 390 did not retain adequate documentation for reimbursed expenses and credit card expenses incurred by you and Ms. Rupp totaling at least \$1,546. For example, you charged \$319.98 at the Homewood Suites in Bloomington, MN on November 7, 2015 using a union credit card and were paid \$192 for per diem for the trip. In support of the expenses, the local retained a receipt for the hotel room and a voucher that stated the per diem check was for "training." The supporting documentation retained was not sufficient because it failed to identify the union business conducted, the dates per diem was paid, and the per diem amount claimed for each date. During the audit, Ms. Rupp advised that the hotel room and per diem payments were for travel and attendance of a collective bargaining seminar put on by the AFGE 8th District.

In another example, Ms. Rupp was reimbursed \$50 on August 18, 2015 for an unknown expense. No supporting documentation for this expense was found in the union's records. During the audit, Ms. Rupp provided a copy of her personal credit card statement showing a \$50 charge at Target which she explained was to purchase gift cards that were donated to the Employee Association at the Veteran's Administration, 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. In the case of per diem payments to officers and employees for travel on union business, Local 390 must maintain records which identify the dates of travel, the per diem rate being claimed for each date, and the union business purpose requiring the travel.

2. Meal Expenses

Local 390 did not require officers to submit itemized receipts for 5 meal expenses incurred at 5 Dollar Pizza totaling at least \$247 for lunches during organizing campaigns. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Based on your assurance that Local 390 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 requirement under 29 C.F.R. Section 402.4 implementing LMRDA Section 201(a) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file copies of any revised constitution and bylaws when it files its annual financial report. The audit disclosed a violation of this requirement. Local 390 amended its constitution and bylaws on January 1, 2016, but did not file the required copies with its LM report for that year. Local 390 has now filed a copy of its constitution and bylaws.

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 390 for the fiscal year ended February 28, 2016, was deficient in the following areas:

1. Disbursements to Officers

Local 390 did not include some reimbursements to officers totaling at least \$232 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the payments were not included on the LM-3 report.

The union must report most direct disbursements to Local 390 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 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. Statement A (Cash Balance and Total Assets) and Cash Reconciliation

It appears that the cash figure reported in Item 25 (A) (Cash, Start of the Reporting Period) and Item 25 (B) (Cash, End of the Reporting Period) for 2016 are not the figures according to Local 390's books after reconciliation to the bank statements. The cash balance as of March 1, 2015, as reconciled to the bank statements, was \$180,074;

however, the cash balance reported in Item 25 (A) was \$193,714. The cash balance as of February 28, 2016, as reconciled to the bank statements, was \$210,533; however, the cash balance reported in Item 25 (B) was \$204,738. 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.

In addition, the cash figures reported by Local 390 for the reporting period do not balance (reconcile). Specifically, cash at the start of the reporting period (Item 25 (A)) plus total receipts (Item 44) minus total disbursements (Item 55) does not equal the cash at the end of the reporting period (Item 25(B)). It appears that this discrepancy is a result inaccurate figures reported in Item 25 (A), Item 44 (Total Receipts), and Item 55 (Total Disbursements).

3. Total Receipts Under Reported and Disbursements Over Reported

The audit revealed that in 2016 Local 390 had total receipts of \$209,245 according to bank statements reconciled with the union's receipt records. However, Local 390 reported total receipts of \$173,124 in Item 44 of Statement B (Receipts and Disbursements). Similarly, the audit revealed that Local 390 disbursed funds totaling \$178,785 during 2016; however, Local 390 reported total disbursements of \$189,222 in Item 55 of the Cash Disbursements section of Statement B. During the exit interview, you stated that it was your first time completing the report and were unsure why the figures were inaccurate.

The LM-3 instructions require that the LM-3 be prepared using the cash method of accounting. Under the cash method of accounting, receipts are recorded when money is actually received by your organization and disbursements are recorded when money is actually paid out by your organization. Checks issued at the end of the fiscal year that do not clear the union's checking account until after the start of the next fiscal year must still be reported in the fiscal year that the checks were actually issued.

Local 390 must file an amended Form LM-3 for the fiscal year ended February 28, 2016, to correct the deficient items discussed above. I encourage Local 390 to complete, sign, and file its report electronically using the Electronic Forms System (EFS) available at the OLMS website at 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 February 9, 2017 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.

I want to extend my personal appreciation to AFGE Local 390 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,

[REDACTED]

Investigator

cc: Ms. Karen Rupp, Treasurer