



April 27, 2017

[REDACTED], President  
Government Employees AFGE AFL-CIO Local 2585  
Bennettsville FCI  
[REDACTED]  
Bennettsville FCI, SC 29512

Case Number: 410-6006496 [REDACTED]  
LM Number: 543641

Dear Mr. Snuggs:

This office has recently completed an audit of Government Employees AFGE AFL-CIO Local 2585 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 Janice White Farmer on April 24, 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 organizations 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 2585's 2015 and 2016 records revealed the following recordkeeping violations:

1. General Reimbursed and Credit Card Expenses

Local 2585 did not retain adequate documentation for recruitment rebates, reimbursed expenses, and credit/debit card expenses incurred by former President [REDACTED] and Treasurer Janice White Farmer totaling at least \$4,838.00. For example, President [REDACTED] and Treasurer White Farmer received recruitment bonuses; however, there is no documentation to identify who they recruited or how much was paid for each person recruited. Additionally, President [REDACTED] received per diem without any documentation to show where he was traveling, for how many days, and what the daily per diem rate should be.

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. Disposition of Property

Local 2585 did not maintain an inventory of gift cards it purchased and gave away. The union must report the value of any union property on hand at the beginning and end of each year Item 30 (Other Assets) of the LM-3. 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 gift cards given away to members, the union must retain records that identify the date the gift cards were given away and the recipients of those gift cards.

3. Failure to Record Receipts

Local 2585 did not record in its receipts records interest earned on the savings account totaling at least \$24.00. For example, the monthly ledger reflects receipts deposited to the checking account, but does not records the amount received from interest into the savings account. 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.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 2585'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 of 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.

### 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 2585 for the fiscal year ended December 31, 2015, was deficient in the following areas:

#### 1. Disbursements to Officers

Local 2585 did not report the names of some officers and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). 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

The union must report most direct disbursements to Local 2585 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).

#### 2. Savings Balance Reported As Other Assets

Local 2585 improperly included the beginning and ending year cash in the savings account as Other Assets in Items 30A and B. For LM reporting purposes, OLMS considers a savings account to be cash. The local should include the beginning and ending savings

account balance in the totals for Items 25A and B (Cash at the Start and End of the Reporting Period.)

3. Failure to Report Interest Earned

Local 2585 did not properly report interest earned on the savings account in Item 41, Interest & Dividends. A union must include all sources of receipts in the totals for Statement B, Receipts and Disbursements.

4. Failure to File Bylaws

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 2585 did not file the required copies with its LM report.

Local 2585 has now filed a copy of its constitution and bylaws.

Local 2585 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 2585 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 May 12, 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

#### Other Issues

##### General Ledger Book

As I discussed during the exit interview, the audit revealed that Local 2585 Treasurer Janice White Farmer sometimes completes the monthly ledger as transactions occur, while at other times she completes the ledger book when she receives the bank statement. This inconsistent practice has caused some checks to be booked twice and checks written on the saving account to be recorded under the checking account. I suggest that the union consistently complete the ledger book as transactions occur in the future.

I want to extend my personal appreciation to Government Employees AFGE AFL-CIO Local 2585 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,

  
Senior Investigator

cc: Ms. Janice White Farmer, Treasurer