

**U.S. Department of Labor**

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December 20, 2016

Ms. Diane Laurie, President  
Government Employees NAGE SEIU AFL-CIO  
Local R5-136  
109 Bee St.  
Charleston, SC 29401-5703

Case Number: 410-6009412  
LM Number: 519257

Dear Ms. Laurie:

This office has recently completed an audit of Government Employees NAGE SEIU AFL-CIO 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 Vice President Vivian Moore, Treasurer Terri Lloyd, and you on December 13, 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 R5-136's 2015 records revealed the following recordkeeping violations:

1. Receipt Dates not Recorded

Local R5-136 maintained bank deposit slips to reflect the date the union deposited money, but not 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. 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.

2. Reimbursed Auto Expenses

Union officers who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$608 during 2015. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The record must also show the business purpose of each use of a personal vehicle for business travel by an officer or employee who was reimbursed for mileage expenses.

3. Failure to Record Disbursements

Local R5-136 did not maintain any records of disbursements by check from the local union checking account totaling at least \$717. Union disbursement records must include an adequate identification of all money the union receives. The records should show the date and amount, payee and detailed description of what the disbursement was for.

4. Failure to Maintain Records for Five Years

Local R5-136 failed to maintain financial records necessary to verify information in annual financial reports for five years. Current officers indicated that they can only find financial records from 2014 and 2015. Every person required to file a report shall maintain records on the matters required to be reported for a period of not less than five years after the filing of the documents based on the information which they contain.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local R5-136'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 R5-136 for the fiscal year ended December 31, 2015, was deficient in the following areas:

1. Disbursements to Officers

Local R5-136 did not include some reimbursements to officers totaling at least \$608 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local R5-136 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 Account Balance Not Included in Beginning and Ending Cash

Local R5-136 failed to include the value of cash in the Latitude 32 savings account in Items 25 A (Cash – Start of Reporting Period) and 25 B (Cash – End of Reporting Period). For LM reporting purposes, OLMS considers a savings account to be cash.

At the conclusion of the exit interview, Local R5-136 filed an amended Form LM-4 for the fiscal year ended December 31, 2015, to correct the deficient items discussed above.

Other Violations

The audit disclosed the following other violation:

**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.

The audit revealed that Local R5-136's officers and employees were not bonded for the minimum amount required at the time of the audit. Local R5-136 should obtain adequate bonding coverage for its officers and employees immediately. Please provide proof of bonding coverage to this office as soon as possible, but not later than December 31, 2016.

Other Issues

1. Expense Policy

As I discussed during the exit interview, the audit revealed that Local R5-136 does not have a clear policy regarding approval and authorization for disbursements. OLMS recommends that unions adopt written guidelines concerning such matters.

2. One Signature on Checks

During the audit, you advised that it is Local R5-136's practice for you alone to sign all union checks. You indicated that no one else reviews the checks before they are issued. As we discussed, a two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. OLMS recommends that Local R5-136 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to Government Employees NAGE SEIU AFL-CIO Local R5-136 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: Mr. Terri Lloyd, Treasurer  
Ms. Vivian Moore, Vice President