



March 1, 2017

Mr. Justin Marella, Treasurer
GOVERNMENT SECURITY OFFICERS, IND LU 18
P.O. Box 310
Middletown, PA 17057

Case Number: 140-6009448
LM Number: 544032

Dear Mr. Marella:

This office has recently completed an audit of GOVERNMENT SECURITY OFFICERS, IND LU 18 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 President Andrew Clark on March 1, 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 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.

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 18's 2015 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 18 did not retain adequate documentation for reimbursed expenses incurred by officers totaling at least \$2,554.57. For example, while the records contained claim forms, there was no other backup documentation for check [REDACTED] dated July 21, 2015 in the amount of \$165.80 to President Clark for gift cards for a meeting or check [REDACTED] dated August 10, 2015 in the amount of \$510.00 to Vice President Matt Zimmerman for the B-E Team OSHA party gift cards.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

Local 18 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$220.29. 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.

Local 18 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. The records contained claim forms but no other backup documentation. For example, check [REDACTED] dated August 10, 2015 in the amount of \$84.00 to Vice President Matt Zimmerman for union food from July and check [REDACTED] dated December 16, 2015 in the amount of \$136.29 to Vice President Matt Zimmerman for food for a meeting.

Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

3. Lost Wages

Local 18 did not consistently retain adequate documentation for lost wage reimbursement payments to officers. While Local 18 did retain claim forms for each of the 54 claims for salary or lost wages during 2015, only 13 were signed by the claimant and 5 were signed by two officers. Additionally, the claim forms did not always reflect the specific nature of the union business conducted. For example, the records indicated check [REDACTED] dated April 23, 2015 in the amount of \$333.00 to Vice President Zimmerman and check [REDACTED] dated April 23, 2015 in the amount of \$100.00 were for a "grievance meeting," which is not sufficiently specific.

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. OLMS recommends that the voucher also include the beginning and ending times of the hours lost each day so that the union can compare the claim to employer payroll records to verify the number of hours lost.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 18 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. Failure to Record Receipts

Local 18 did not record in its receipts records an \$80.00 receipt on July 21, 2015 from employer Exelon. 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.

5. Information not Recorded in Meeting Minutes

During the audit, President Clark and Treasurer Marella explained that standing expenses, expenses under \$300, and those outlined in the bylaws, such as officer salaries, do not require membership vote. Article XII, Section 4 of the Local 18 Bylaws requires a membership vote for all expenses over \$300 which are not related to training. Check █████ dated January 30, 2015 in the amount of \$3,250.00 to the Mount Calvary Christian School and check █████ dated August 10 2015 in the amount of \$510.00 to Vice President Zimmerman, both for gift cards, met the criteria for membership approval. However, the minutes of the membership meetings did not contain any reference to those issues, nor was there any other documentation in the records of the membership's approval.

Based on your assurance that Local 18 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violations

1. Disbursements to Officers

Local 18 did not include some reimbursements to officers totaling at least \$3,318.53 in the amounts reported Item 24 (All Officers and Disbursements to Officers). The union must report most direct disbursements to Local 18 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).

The salaries and allowances paid to President Clark and Vice President Zimmerman were not correctly reported on the LM-3. The audit disclosed the salary paid to President Clark was \$6,107.57, while the LM-3 reflected \$5,152. The salary paid to Vice President Zimmerman was \$4,052.60, while the LM-3 reflected \$3,613.

2. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when it makes changes to its constitution or bylaws. Local 18 amended its constitution and bylaws in 2015, but did not file a copy with its LM report for that year. A copy was filed with OLMS during the audit.

Local 18 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 18 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 March 29, 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 Violations

Inadequate Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that Local 18's officers and employees were not bonded for the minimum amount required at the time of the audit. While the union did obtain bonding coverage and provided evidence of this to OLMS during the audit, the policy contained a retention or deductible clause. A deductible is a form of self-insurance and self-insurance by a union, in whole or in part, fails to meet the bonding requirements of the LMRDA. Coverage must provide for indemnity from the first dollar of loss. Please provide proof of bonding coverage to this office as soon as possible, but not later than March 29, 2017.

Other Issues

1. Audits

Article VIII, §13 of Local 18 Bylaws call for trustees to audit (or have an accountant audit) once per year in addition to having an outside source audit once every three years, preferably just prior to elections. However, Local 18's LM-3 reports for at least the last four fiscal years indicated there were no internal audits. During the CAP, the officers confirmed that due to past practice audits have never been conducted.

Section 501 of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA) outlines general fiduciary responsibility for officers and employees of labor organizations. Union officials occupy positions of trust and, therefore, must ensure that the union's funds and other assets are used solely for the benefit of the union and its members. To prevent, or at least inhibit, the misuse or embezzlement of their funds, most organizations including corporations, banks, international unions, etc., install internal controls over the handling of their finances. The local should consider establishing an internal audit committee to safeguard union funds.

2. Account Signatories

Treasurer Marella is the only signatory on the Aflac checking account. It is advisable to have two signatories on every account held in the union's name. The two signature requirement is an effective internal control of union funds.

3. Check Signatures

The audit revealed that of the 117 checks issued from the general checking account and endorsed during fiscal year 2015, there was one which was signed by only one officer, Treasurer Marella: check [REDACTED] dated July 21, 2015 in the amount of \$162.44 to the Riverhouse Bar & Grill.

According to Article VIII, Section 8 of the Local 18 Bylaws, all checks require a minimum of two officer signatures. The two signature requirement is an effective internal control of union funds. OLMS recommends that Local 18 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to GOVERNMENT SECURITY OFFICERS, IND LU 18 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,



Investigator

cc: Mr. Andrew Clark, President