



November 28, 2017

Mrs. Anne Lindgren, President
Government Employees AFGE AFL-CIO Local 789
820 S. Damen – Taylor Room 6412
Chicago, IL 60612

Case Number: 310-6010369
LM Number: 544824

Dear Mrs. Lindgren:

This office has recently completed an audit of Government Employees Local 789 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 David Andes on October 3, 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 789's 2016 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 789 did not retain adequate documentation for a \$72.10 reimbursement for ground transportation incurred by a union officer.

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. Lost Wages

Local 789 did not retain adequate documentation for lost wage reimbursement payments to member [REDACTED] on one occasion. 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 OLMS audit found that Local 789 retained U.S. Department of Veteran's Affairs time and attendance records and payroll records, as well as a union expense report; however, the records did not list the specific dates and number of hours lost for the lost wage claim.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments* that contained a sample of an expense voucher Local 789 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.

3. Disposition of Property

Local 789 did not maintain an inventory of items bearing the AFGE logo 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 in 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 items given away to members, the union must retain records that identify the date the items were given away and the recipients of those items.

Based on your assurance that Local 789 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 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 (LM-3) filed by Local 789 for the fiscal year ended December 31, 2016 was deficient in the following areas:

1. 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 had given away items bearing the AFGE logo such as lanyards, pens and coffee mugs. 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."

2. Disbursements to Officers (LM-3)

Local 789 did not report a \$1,370 lost wage reimbursement and \$472 in reimbursements for per diem and transportation to Vice President [REDACTED] in Item 24 (All Officers and Disbursements to Officers) Column D (Gross Salary) and Column E (Allowances and Other Disbursements), respectively. It appears the union erroneously reported these payments in Item 48 (Office & Administrative Expense).

The union must report most direct disbursements to Local 789 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).

3. Statement B – Receipts and Disbursements

Local 789 reported all of its receipts during the audit period in Item 38 (Dues) even though an OLMS review of union records indicated that approximately \$45,407 in dues remittance from the AFGE should have been reported in Item 38 and \$1,875 in recruitment rebate income should have been reported in Item 43 (Other Receipts).

In addition, Local 789 reported all of its disbursements during the audit period in Item 48 (Office & Administrative Expense); however, an OLMS review of union records indicated

that the following approximate amounts should have been reported elsewhere in the Cash Disbursements section of Statement B, specifically:

- Item 46 (cash disbursements – To Employees) - \$662
- Item 47 (Per Capita Tax) - \$2,012
- Item 49 (Professional Fees) - \$5,598

Local 789 must file an amended Form LM-3 for the fiscal year ended December 31, 2016, to correct the deficient items discussed above. I encourage Local 789 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 December 21, 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 Violation

The audit disclosed the following other violation:

1. 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.

Local 789's officers and employees are currently bonded for \$5,000, but they must be bonded for at least \$9,100. During the exit interview, Treasurer Andes informed OLMS that Local 789 has already obtained adequate bonding coverage for its officers and employees. Please provide proof of the updated bonding coverage to this office as soon as possible, but not later than December 21, 2017.

I want to extend my personal appreciation to Government Employees Local 789 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