



September 12, 2017

Mr. Sam Albright, Treasurer
AFGE 2004
PO Box 384
New Cumberland, PA 17070

Case Number: 140-6011870 [REDACTED]
LM Number: 501131

Dear Mr. Albright:

This office has recently completed an audit of AFGE 2004 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 Robert Boutselis on September 5, 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 2004's 2016 records revealed the following recordkeeping violations:

1. Lack of Backup Documentation for Disbursements and Reimbursed Expenses

Local 2004 did not retain adequate documentation for disbursements by check and debit card disbursements totaling at least \$4,120. For example, the local paid arbitrator [REDACTED] [REDACTED] \$1,150 by check on January 20, 2016, but did not retain a receipt or invoice from [REDACTED]

Also, Local 2004 did not retain adequate documentation for reimbursed expenses incurred by union officers and employees totaling at least \$1,541. For example, on September 26, 2016, Chief Steward Randolph Elliott was reimbursed \$467.31. No backup documentation was retained and no union purpose was given for \$388.80 of the reimbursement.

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. Reimbursed Auto Expenses

Union officers received reimbursement for business use of their personal vehicles and did not retain adequate documentation to support payments to them totaling at least \$745 during 2016. 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. Lost Wages

Local 2004 did not retain adequate documentation for lost wage reimbursement payments to the election committee totaling at least \$6,500. 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 2004, did not retain backup documentation which included any of the required information for lost time paid to the election committee.

During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, that contained a sample of an expense voucher Local 2004 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. Information Not Recorded in Meeting Minutes

During the audit, Mr. Albright advised OLMS that the membership authorized all disbursements, except AFGE and council per capita and bills under \$500, at the monthly membership meetings. However, the minutes of the meetings do not contain approval of all

bills, excluding per capita, that were over \$500. Also, the minutes were not clear to report if motions were approved, tabled, or denied. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings. Please review compliance tip sheet, *Authorization and Documentation of Expenditures*, which can be found on the OLMS website (www.dol.gov/olms).

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 2004'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-2) filed by Local 2004 for the fiscal year ended December 31, 2016, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 2004 did not include some reimbursements and payments to officers and employees totaling at least \$6,500 in Schedule 11 (All Officers and Disbursements to Officers) and Schedule 12 (Disbursements to Employees). It appears that the local erroneously reported these payments in Schedules 15 through 19.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

2. Incorrect Figures Reported on the 2016 LM-2 Report

It appears that the cash figures reported in Item 22(A)(Cash at Start of Reporting Period), Item 22(B) (Cash at End of Reporting Period), Item 49 (Total Receipts), and Item 68 (Total Disbursements) are not the figures according to Local 2004's books after reconciliation to the bank statements. During the closing interview, you were informed that instructions for the LM-2 could be found on the OLMS website (www.olms.dol.gov). The instructions identify account information that should be included in the Items mentioned above.

Local 2004 must file an amended Form LM-2 for the fiscal year ended December 31, 2016, to correct the deficient items discussed above. The report must be filed electronically using the Electronic Forms System (EFS) available at the OLMS website at www.olms.dol.gov. The amended Form LM-2 must be filed no later than October 5, 2017. Before filing, review the report thoroughly to be sure it is complete and accurate.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you and Mr. Boutselis, the audit revealed that Local 2004 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union debit cards. OLMS recommends that unions adopt written guidelines concerning such matters. OLMS compliance tip sheet, *Reimbursed Travel Expense Payments*, which can be found on the OLMS website, may be used to assist the local in writing an expense policy.

2. Lost Time Policy

As I discussed during the exit interview with you and Mr. Boutselis, the audit revealed that Local 2004 does not have a clear policy regarding reimbursement of lost time. OLMS recommends that unions adopt written guidelines concerning such matters. OLMS compliance tip sheet, *Union Lost Time Payments*, which can be found on the OLMS website, may be used to assist the local lodge in writing a lost time policy.

3. Duplicate Receipts

Members of Local 2004 purchased Hershey Bears tickets and holiday party tickets from 5th Vice President Ronald Hunziker in fiscal year 2016. Mr. Hunziker did not issue receipts to members who purchased tickets; therefore, making it impossible to determine if all monies collected were deposited in the union's checking account. OLMS recommends that Local 2004 use a duplicate receipt system where the union issues original pre-numbered receipts to all members who make payments directly to the union and retains copies of those receipts. A duplicate receipt system is an effective internal control because it ensures that a record is created of income which is not otherwise easily verifiable. If more than one

duplicate receipt book is in use, the union should maintain a log to identify each book, the series of receipt numbers in each book, and to whom each book is assigned.

I want to extend my personal appreciation to AFGE 2004 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. Robert Boutselis, President