



August 6, 2018

Ms. Audrey Evans, Secretary-Treasurer
AFGE Local 618
1020 Wild Ivy Trail
Franklin, IN 46131

Case Number: 350-6012079 [REDACTED]
LM Number: 544667

Dear Ms. Evans:

This office has recently completed an audit of AFGE Local 618 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 on July 19, 2018, 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 618's 2016 and 2017 records revealed the following recordkeeping violations:

1. General Reimbursed and Debit Card Expenses

Local 618 did not retain adequate documentation for reimbursed expenses and debit card expenses incurred by Jaime Gasaway totaling at least \$8,725.83. For example, checks [REDACTED], and [REDACTED] totaling \$1,100.00 for training, rebates, and supplies reimbursements had no supporting documentation in Local 618's records. Bank statements also reflected at least 116 debit card transactions totaling \$7,625.83 for which Local 618's financial records contain no receipts or documentation to explain the disbursements.

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. Failure to Record Receipts

Local 618 did not record in its receipts records any of the 51 employer dues checkoff direct deposits totaling at least \$13,424.99. 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 618'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 violations of this requirement.

1. Failure to File Labor Organization Annual Report Form LM-4

Local 618 failed to file the Labor Organization Annual Report Form LM-4 for fiscal years ended December 31, 2016 and December 31, 2017. However, Local 618 filed the delinquent reports during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

2. 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 618 amended its constitution and bylaws in 2010, but did not file the required copies with its LM report for that year. Local 618 has now filed a copy of its constitution and bylaws.

Misappropriated Funds

The audit revealed evidence that former President Jaime Gasaway misappropriated Local 618's funds by making personal charges and unauthorized cash withdrawals with the local's debit card, and issuing unauthorized checks to herself, totaling approximately \$7,825.83 during the audit period. However, OLMS will not pursue this matter further as Ms. Gasaway passed away in 2017. Appropriate compliance assistance materials have been provided to you to assist in safeguarding Local 618's assets.

Other Issues

1. Expense Policy

As I discussed during the exit interview with you, the audit revealed that Local 618 does not have a clear policy regarding the types of expenses union officers 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.

2. One Signature on Checks

During the audit, you advised that you disburse checks without a second officer signature. Your union's constitution requires that all checks be signed by the president and treasurer. The 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. However, issuing check disbursements without a second signature does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 618 review these procedures to improve internal control of union finances.

3. Cash Disbursements

During the audit, you advised that Bonus Bucks are disbursed to new members and their recruiters in cash. All disbursements must be supported by 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. Disbursements made in cash can be more difficult to properly document. OLMS recommends that Local 618 review its documentation procedure for cash disbursements to ensure that the necessary information is retained.

During our meeting, I provided you with numerous compliance assistance materials, including the following reference documents:

- *LMRDA Compliance: A Guide for New Union Officers*
- *Union Member Rights and Officer Responsibilities under the Civil Service Reform Act*
- *OLMS Fact Sheet: LMRDA Recordkeeping Requirements for Unions*
- *OLMS Compliance Tip: Authorization and Documentation of Expenditures*
- *OLMS Compliance Tip: Authorization of Salary and Paid Leave for Union Officials*

- *OLMS Compliance Tip: Electronic Recordkeeping*
- *OLMS Compliance Tip: Internal Financial Controls*
- *OLMS Compliance Tip: Recordkeeping for and Reporting of Receipts*
- *OLMS Compliance Tip: Reimbursed Travel Expense Payments*
- *OLMS Compliance Tip: Union Credit Card Policy*
- *OLMS Compliance Tip: Union Lost Time Payments*
- *Conducting Audits in Small Unions – A Guide for Trustees to a 10-Step Audit*
- *Reports Required Under the LMRDA and the CSRA*

I want to extend my personal appreciation to AFGE Local 618 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: Ms. Caryl R. McCammon, President