



December 6, 2018

Ms. Maria Powell-Owens, President
Government Employees (AFGE) AFL-CIO
Local 3631
P.O. Box 59414
Philadelphia, PA 19102-9414

Case Number: 140-6012981 [REDACTED]
LM Number: 509-135

Dear Ms. Powell-Owens:

This office has recently completed an audit of American Federation of Government Employees (AFGE) Local 3631 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 Harry Steinmetz and member [REDACTED] on November 29, 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 Violation

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 3631's 2018 records revealed the following recordkeeping violation:

General Reimbursed and Credit Card Expenses

Local 3631 did not retain adequate documentation for reimbursed expenses totaling at least \$825.00 and credit card expenses incurred by President Gary Morton and Treasurer Harry Steinmetz totaling at least \$4,498.52. For example, there was no backup documentation for credit card charges related to President Morton's travel to Washington, D.C. in June 2017 totaling \$1,561.79. While AFGE Council 238 reimbursed Local 3631 for these expenses in full, Local 3631 must retain backup documentation for the disbursement. There was also no backup documentation to support ten monthly charges to "Google Apps" totaling \$1,213.39 or for a charge in the amount of \$1,112.40 on January 19, 2018 to Toll Man Joe's Bar & Restaurant for a recruiting luncheon.

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.

Based on your assurance that Local 3631 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 3631 for the fiscal year ended June 30, 2018 was deficient in the following areas:

1. Reporting of Receipts

Local 3631 did not include some receipts totaling at least \$2,241.42 in the amounts reported under Item 43 (Other Receipts) and Item 44 (Total Receipts). For example, the local failed to report a total of \$2,102.40 for reimbursements received from the AFGE National for President Morton's travel.

2. Disbursements to Officers

Local 3631 did not include some reimbursements to officers totaling at least \$127.88 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense) or in Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 3631 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).

I am not requiring that Local 3631 file an amended LM report for 2018 to correct the deficient items, but Local 3631 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Check Signatures

The local issued 66 checks from its general checking account during the audit period. Of those 66 checks, 3 bore only one officer signature. 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. Only having one signatory sign a check does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 3631 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to AFGE Local 3631 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. Harry Steinmetz, Treasurer