



March 19, 2019

Mr. Brian Hart, President  
Government Employees (AFGE), AFL-CIO  
Local 307  
PO Box 336  
White Deer, PA 17887

Case Number: 140-6013389  
LM Number: 541-765

Dear Mr. Hart:

This office has recently completed an audit of Government Employees (AFGE) AFL-CIO Local 307 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 Edward Donlin on March 11, 2019, 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 307's 2015 records revealed the following recordkeeping violations:

1. General Disbursements and Reimbursed Expenses

Local 307 did not retain adequate documentation for disbursements totaling at least \$585. For example, on May 15, 2015, the local wrote check [REDACTED] to Faith and Wesley Scholarship for \$500, but did not retain backup documentation, such as a bill, invoice, or receipt.

In addition, Local 307 did not retain adequate documentation for reimbursed expenses incurred by union officers totaling at least \$808. For example, Brian Hart attended the Legislative Conference in Washington, DC. Hart received per diem in the amount of \$563.50; however, the local did not retain an expense voucher. Therefore, the dates of travel and the amount of daily per diem could not be determined for this trip.

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. Please review compliance assistance tip sheets *LMRDA Recordkeeping Requirement for Unions* and *Reimbursed Travel Expense Payments*, which can be found on the OLMS website ([www.dol.gov/olms](http://www.dol.gov/olms)).

## 2. Meal Expenses

Local 307 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$275. 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.

Also, Local 307 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. 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. Please review compliance assistance tip sheets *LMRDA Recordkeeping Requirement for Unions* and *Reimbursed Travel Expense Payments*, which can be found on the OLMS website.

## 3. Information not Recorded in Meeting Minutes

Article VIII, Section 3 requires that expenditures in excess of \$500 be authorized by the budget or by separate vote of the local's members. Also, all expenditures authorized by the executive board shall be reported in writing at the next regular meeting of the local. Local 307 did not maintain any executive board meeting minutes and did not retain minutes for the September 2015 membership meeting. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings. Please review compliance assistance tip sheet *Authorization and Documentation of Expenditures*, which can be found on the OLMS website.

Based on your assurance that Local 307 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 (Form LM-3) filed by Local 307 for the fiscal year ended December 31, 2015, was deficient in the following areas:

#### 1. Disbursements to Officers

Local 307 did not include indirect disbursements made to American Express on behalf of its officers 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 Item 54 (Other Disbursements).

The union must report most direct disbursements to Local 307 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). Please review compliance assistance tip sheet *Reporting Officers and Payments to Them on Form LM-3*, which can be found on the OLMS website.

#### 2. Certificates of Deposit Reported As Investments

Local 307 improperly included the value of certificates of deposit as investments in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a certificate of deposit to be cash. The purchase or redemption of a certificate of deposit is a transfer of cash from one account to another and, therefore, the local should not report these transactions as receipts or disbursements.

#### 3. 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 307 amended its constitution and bylaws in 2014, but did not file the required copies with its LM report for that year.

Local 307 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 307 file an amended LM report for 2015 to correct the deficient items, but Local 307 has agreed to properly report the deficient items on all future reports it files with OLMS.

#### Other Issue

##### Duplicate Receipts

Retired members of Local 307 pay dues directly to the union. Treasurer Edward Donlin collects and records dues payments in the union's receipts journal, but he does not issue receipts to dues payers. OLMS recommends that Local 307 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 Government Employees (AFGE), AFL-CIO Local 307 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. Edward Donlin, Treasurer