

U.S. Department of Labor

Office of Labor-Management Standards
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April 2, 2019

Ms. Shannon Ellis, President
Treasury Employees Union Chapter 66
P.O. Box 412172
Kansas City, MO 64141-2172

Case Number: 510-6014953 [REDACTED]
LM Number: 501232

Dear Ms. Ellis:

This office has recently completed an audit of Treasury Employees Union Chapter 66 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, Treasurer Tynea Campbell, and Executive Vice President Christina Bennett on March 14, 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 Chapter 66's 2018 records revealed the following recordkeeping violations:

1. General Reimbursed and Debit Card Expenses

Chapter 66 did not retain adequate documentation for reimbursed expenses and debit card expenses incurred by former President DeAndre Jones totaling at least \$266. For example, in February 2018 Jones used the union debit card for a personal purchase at the clothing store H&M in the amount of \$266.17 and no receipt or other documentation for the expenditure was maintained. When it was determined this was a personal purchase made by Jones, the chapter did not document this information, including the need for reimbursement, in the union records.

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.

We discussed this issue during the exit interview and you agreed to keep these records in the future. You also agreed that you will require Jones to repay \$266.17 to the chapter immediately for his personal purchase using union funds which he claims was a mistake. Please submit proof of this payment to me as soon as you receive it.

2. Disposition of Property and Failure to Record Receipts

Chapter 66 did not maintain an inventory of hats, jackets, and other property it purchased, sold, or 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. The union must record in at least one record the date and amount received from each sale of union hats, jackets, and other items.

Chapter 66 did not adequately record in its receipts record some of the sales of union logo items. For example, in July 2018, a deposit was made into the union's account for \$1,959.72. This deposit was not for union dues and without further information there is no way to know where it came from. 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. This information should also be recorded on each receipt for sales of logo items. This information is used to verify, clarify, and explain what is entered into the LM report and therefore must be able to be traced back to its source.

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.

We discussed this during the exit interview and you agreed to keep these records in the future.

Based on your assurance that Chapter 66 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 Chapter 66 for the fiscal year ended September 30, 2018, was deficient in that:

1. Disbursements to Officers

Chapter 66 did not include some reimbursements to officers totaling at least \$3,000 in the amounts reported Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Items 48 and 54.

The union must report most direct disbursements to Chapter 66 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 or use of a debit card) 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).

We discussed this during the exit interview and you agreed to properly report these payments in the future.

2. Property

Chapter 66 did not properly report its hats, jackets, and other property it purchased, sold, or gave away. The union must report the value of any property on hand at the beginning and end of each year in Item 30 (Other Assets) of the LM-3. Chapter 66 reported \$0 in Item 30 of its 2018 LM-3 even though it had property on hand.

I am not requiring that Chapter 66 file an amended LM report for 2018 to correct the deficient items, but Chapter 66 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Expense Policy

As we discussed during the exit interview, the audit revealed that Chapter 66 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 credit and/or debit cards. The union also needs to clarify the authorization necessary for such expenses. OLMS recommends that unions adopt written guidelines concerning such matters.

2. Hotel and Airline Upgrades

As we discussed in the exit interview, along with the expense policy, it needs to be clarified the circumstances under which officers are allowed to upgrade hotel rooms and flights and the authorization needed. During the audit period former President DeAndre Jones spent at least \$700 of union funds to upgrade his hotel room when traveling for union business. There are no records to show that these upgrades were voted on or approved by the executive board, nor were they informed that this was occurring. Although the total expenses for a trip fall within the budgeted amount, that does not make them all legitimate union expenses that are properly authorized.

3. Not Holding Chapter and Executive Board Meetings

During the audit period Chapter 66 failed to follow its own bylaws by not holding biannual chapter meetings and monthly executive board meetings. Article V, Section 4 of the Chapter 66 Bylaws states that the executive board is to meet monthly and Article V, Section 2 states that the board is to “authorize necessary Chapter expenditures and establish procedure for payment of authorized expenditures.” If the board does not hold its monthly meetings, the expense reviews and authorizations are not happening which can lead to a misuse of funds.

Article IV, Section 1 of the bylaws state that the chapter is to hold two chapter meetings a year. Even if a quorum is not achieved, it is important to give all of the members the opportunity to meet and be informed of the union’s activities.

4. Book Records

It was also found during the audit that Chapter 66 was not keeping its own book records of transactions as they occurred. Instead, the local would record information in its ledgers from the bank statement when it was received. It is important for the local to keep its own books (in whatever format you choose) because simply relying on bank statement information may cause you to under or over report financial items in your LM-3 report. It is also a safeguard for your local in the case of a bank error.

I want to extend my personal appreciation to Treasury Employees Union Chapter 66 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. Tynea Campbell, Treasurer
Mr. Steven Payne, National Field Representative