



July 25, 2019

Ms. Thrisa Tolbert-Cotton, President
Treasury Employees Union Ind
Chapter 24
P.O. Box 117
Detroit, MI 48231

Case Number: 320-6015556
LM Number: 502-494

Dear Ms. Tolbert-Cotton:

This office has recently completed an audit of Treasury Employees Union Ind, Chapter 24 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 Vice President Scott Whitehead on June 18, 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 24's fiscal year 2018 records revealed the following recordkeeping violations:

1. Lack of Authorization for Officer's Salaries

Chapter 24 did not maintain records to verify that the salaries reported in Item 24 (All Officers and Disbursements to Officers) of the LM-3 were the authorized amounts and therefore were correctly reported. During the opening interview, you and Treasurer Megan Brown provided a typed document that lists the officer positions and associated salaries for each position. You advised that the officer salaries have been in place for many years and existed before the current executive board taking office; however, no authorization for these salaries was found in any of the union records. The union must keep a record, such as meeting minutes, to show the current salary authorized by the entity or individual in the union with the authority to establish salaries.

2. Fixed Assets

The LM-3 filed by Chapter 24 for 2018 reported fixed assets totaling \$1,208 at the beginning and end of the audit year (Items 29 (A) (Fixed Assets, Start of Reporting Period) and 29 (B) (Fixed Assets, End of Reporting Period)); however, Chapter 24 failed to retain any records to verify the accuracy of those figures. During the audit, you advised that you have reported the same figures for the value of the office equipment in Item 29 for several years because you were not aware that were supposed to depreciate the items reported. In addition, you advised that Chapter 24 does not maintain an inventory of fixed assets owned by the local.

In the case of fixed assets, the union must maintain a written or electronic inventory or other similar record identifying each fixed asset and the cost and depreciation of each fixed asset. Such records are required to be retained to verify, clarify, and support information required to be reported in Item 29 of the LM-3 Report.

3. Disposition of Property

The audit revealed that Chapter 24 purchased various gift cards and NTEU merchandise (i.e. sweatshirts, calendars, tote bags, etc.) totaling at least \$9,200 that it gave away at various events throughout 2017 and 2018. However, Chapter 24 did not maintain adequate records that identified the recipients of the items given away. Records must be maintained which account for all union property. In the case of gift cards or other items sold or given away to members, records must be maintained to clarify and support information required to be reported by Chapter 24 in Statements A (Asset and Liabilities) and B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-3). The value of any gift cards or similar property on hand at the beginning and end of the year should be reported in Item 30 (Other Assets). In addition, the type and value of any property received or given away must be identified in the additional information section of the Form LM-3 Report with the identity of the recipient(s) or donor of such property.

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.

4. Reimbursed Auto Expenses

Chief Steward Sherri Spears, Legislative Coordinator Jessie Dawkins, Steward Brian Norton, and Ms. Brown received reimbursement for the business use of their personal vehicles, but did not retain adequate documentation to support payments totaling at least \$2,340. Claims for mileage were documented on NTEU vouchers, but many of the vouchers were missing an adequate description of the union business purpose and/or the locations traveled to and from.

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.

5. General Reimbursed Expenses

Chapter 24 did not retain adequate documentation for reimbursed expenses incurred by Mr. Whitehead and Election Committee Chair [REDACTED] totaling at least \$3,120. For example, adequate supporting documentation was not retained for a \$2,450 advance to [REDACTED] for election supplies and postage during Chapter 24's August 2018 officer election. The union retained an expense voucher for this disbursement, but failed to retain any additional supporting documentation, such as an itemized receipt, which is not sufficient. In another example, Mr. Whitehead was paid \$670 during the September 2017 Golf Outing for "cash" and "prizes;" however, Chapter 24 failed to retain any supporting documentation for the expenses, such as an expense voucher or receipts.

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 Chapter 24 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 Chapter 24 for the fiscal year ended September 30, 2018, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered "Yes," because the union gave away gift cards, mugs, calendars, tote bags, and other union merchandise totaling at least \$9,200 during the audit year. The union must identify the type and value of any property received or given away in Item 56 (Additional Information) of the LM report along with the identity of the recipient(s) or donor(s) of such property. The union does not have to itemize every recipient of such giveaways by name, and can describe the recipients by broad categories such as "members" or "new retirees," if appropriate. In addition, the union must report the cost, book value, and trade-in allowance for assets that it traded in.

2. Fixed Assets

Chapter 24 did not properly report the value of their fixed assets in Items 29(A) (Fixed Assets, Start of Reporting Period) and 29(B) (Fixed Assets, End of Reporting Period) of Statement A (Assets and Liabilities). As mentioned above, you stated that you do not maintain an inventory of fixed assets and were not aware that assets should be inventoried and reported in accordance with a depreciation value each year.

Chapter 24 must report the value of all their fixed assets including land, buildings, office furniture, and equipment owned by the union at the beginning and end of the reporting period in Item 29(A) and Item 29(B), respectively, of the LM-3 Report. The book value of fixed assets is cost less depreciation.

3. Other Assets

Chapter 24 did not properly report the value of their other assets in Items 30(A) (Other Assets, Start of Reporting Period) and 30(B) (Other Assets, End of Reporting Period) of Statement A (Assets and Liabilities). As mentioned above, Chapter 24 does not maintain an inventory of other assets (t-shirts, tote bags, or other union merchandise), and the amount reported in Item 30 (B) are an estimation of what the items are worth.

Chapter 24 must report the value of all other assets, including t-shirts, tote bags, or other similar items, owned by the union at the beginning and end of the reporting period in Item 30(A) and Item 30(B), respectively, of the LM-3 Report.

4. 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. Chapter 24 amended its constitution and bylaws in 2009, but did not file a copy with its LM report for that year.

Chapter 24 has now filed a copy of its constitution and bylaws.

I am not requiring that Chapter 24 file an amended LM report for 2018 to correct the deficient items, but Chapter 24 has agreed to properly report the deficient items on all future reports it files with OLMS.

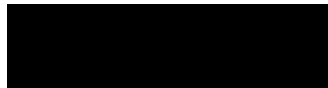
Other Issue

Single Signatory

During the audit, you advised that two signatures are required on all checks; however, the audit revealed that Chapter 24 issued several checks that were only signed by one officer. Although not prohibited by Chapter 24's bylaws, a single signature requirement on union checks is not an effective internal control of union funds. The purpose of a second signature is to attest to the authenticity of a completed document that has already been signed. OLMS recommends that Chapter 24 review these disbursement procedures to improve internal controls of union funds.

I want to extend my personal appreciation to Chapter 24 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. Scott Whitehead, Vice President
Ms. Megan Brown, Treasurer