



September 6, 2019

Mr. Robert Pritchard, President  
Government Employees, AFGE AFL-CIO  
Local 2274  
1500 Weiss Street  
Room 1-5306  
Saginaw, MI 48602

Case Number: 320-6015726 [REDACTED]  
LM Number: 501-826

Dear Mr. Pritchard:

This office has recently completed an audit of Government Employees, AFGE Local 2274 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 Tracy Smith, Sergeant-at-Arms Kim Evans, and Trustee Ron Earl on August 1, 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 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 2274's 2019 records revealed the following recordkeeping violations:

### 1. Debit Card Expenses

Local 2274 did not retain adequate documentation for nine debit card purchases incurred by you and several other officers and employees totaling at least \$4,600 during the audit year. For example, no itemized receipts or vouchers were retained in the local's records for seven debit card purchases from Delta Airlines totaling \$4,172 in March 2018. The only documentation of these purchases retained in the local's records was the monthly bank statement, which is not sufficient. In other examples, the local failed to retain itemized receipts for two \$440 debit card purchases in May and October 2018 from Subway Restaurants and Firekeepers Casino Hotel in Battle Creek, MI for "lunch and learn" and "Training."

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. Itemized receipts provided by restaurants to officers and employees must be retained. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirements of LMRDA Section 206. Records of meal expenses must include written explanations of the union business conducted and the full name and title of all persons who incurred the restaurant charges. 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. Lost Wages

The audit revealed that Local 2274 did not retain adequate documentation for lost wage reimbursement payments to you, Chief Steward Dan Wilhelm, Ms. Smith, Trustee Tabitha Petty, and several other union officers and employees totaling at least \$8,790. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The audit found that Local 2274 maintained vouchers in support of lost wage reimbursements; however, almost every lost time voucher lacked the officer's or employee's hourly wage and the number of hours lost.

### 3. Reimbursed Auto Expenses

You, Mr. Wilhelm, and several other officers and employees who received reimbursement for business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$9,480. Claims for mileage were documented on expense vouchers, and the month and day of the claim was generally identified on the form. However, many of the vouchers retained by Local 2274 did not document an adequate business purpose, did not sufficiently document the locations traveled to and from, or the actual number of miles driven.

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.

#### 4. Failure to Maintain an Inventory of Fixed Assets

During the opening interview, you and Ms. Smith explained that Local 2274 does not currently maintain an inventory of any kind for the office equipment or other property (i.e., cell phones, tablets, laptops, etc.) retained at the union office in Saginaw, MI, and you were not aware you needed to maintain an inventory of the union's fixed assets. During the exit interview, you explained that Local 2274 will begin maintaining an inventory list moving forward and will appropriately report these items on the local's LM report in the future.

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 (Fixed Assets) of the LM 3 Report.

#### 5. Disposition of Property

The audit revealed that Local 2274 purchased various gifts and prizes (i.e. soccer balls, basketballs, children's toys, etc.) totaling at least \$2,940 that it gave away at various events hosted by the local during 2018 and 2019. However, Local 2274 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 gifts or other items sold or given away to members, records must be maintained to clarify and support information required to be reported by Local 2274 in Statements A (Asset and Liabilities) and B (Receipts and Disbursements) of the Labor Organization Annual Report (Form LM-3). The value of any gifts, 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.

#### 6. Lack of Authorization for Officer's Cell Phones

During the opening interview, you and Ms. Smith advised that Local 2274 paid for four lines of service from Verizon for cell phone usage and equipment for the president and chief steward. During 2018, a fifth line of service was added to the Verizon account to accommodate Ms. Smith's Surface Pro Tablet. The five lines of service included two iPhones and three Surface Pro tablets. However, the audit revealed that Local 2274 does not have any written policy authorizing these expenditures. In September 2018, a sixth line of service was added to the cellular account without any approval or authorization from the executive board or membership. During the exit interview, you explained that you and Mr.

Wilhelm went to the Verizon store in September 2018 to add a fifth line of service for Ms. Smith's tablet. While at the Verizon store, the salesperson explained that adding a sixth line of service was more cost effective because two lines of service would cost the union \$20 each (totaling \$40) versus adding only one additional line for \$35. You further explained that you had no intention of using the sixth line of service; however, you made a \$148.39 equipment upgrade on the sixth line of service in November 2018 without any approval or authorization from the executive board or membership. During the exit interview, you explained that the tablet was being used primarily for your personal use. Ms. Evans, Mr. Earl, and Ms. Smith stated that Local 2274's executive board supported usage of this type, and they are not requiring that you repay Local 2274 the fees associated with this line. Ms. Evans is now using the sixth line of service, the tablet has been deactivated from the Verizon account, and the unused equipment is being kept at the union office.

OLMS strongly encourages Local 2274 establish clear policies regarding the use and payment of union cellphones and tablets and reduce these policies to writing. The union must keep a record, such as meeting minutes or bylaws, to show officer's cell phone expenses are authorized by the entity or individual in the union with the authority to establish expenses.

Based on your assurance that Local 2274 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 2274 for the fiscal year ended February 28, 2019, 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 sports equipment, children's toys, and other union merchandise totaling at least \$2,940 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. The union 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

Local 2274 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, were not aware that assets should be inventoried, and were not aware that the book value (cost less depreciation) of the union's fixed assets must be reported in Item 29.

Local 2274 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. 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 2274 amended its constitution and bylaws in 2012, but did not file the required copies with its LM report for that year.

Local 2274 has now filed a copy of its constitution and bylaws.

I am not requiring that Local 2274 file an amended LM report for 2018 to correct the deficient items, but Local 2274 has agreed to properly report the deficient items on all future reports it files with OLMS.

### Other Issue

#### Expense Policy

The audit revealed that Local 2274 does not have clear policies regarding reimbursements of travel expenses and per diem. During the opening interview, you and Ms. Smith advised that Local 2274's per diem policy could be found in the local's bylaws. However, the audit revealed that the bylaws are silent regarding any type of per diem authorization or approval process. Additionally, the September 2017 meeting minutes revealed the executive board's approval of per diem for "day travel" at a rate of \$37.50 per day, but the record lacked a clear definition of what qualifies as "day travel." During the audit, it was revealed that "day travel" is defined as trips that consist of travel within AFGE 2274's local jurisdiction and does not require an overnight stay.

To ensure proper internal financial controls over union disbursements, OLMS recommends that each union: (1) adopt a clear policy on reimbursed travel expenses; (2) establish what documentation is needed for an official or member to be reimbursed; and (3) establish a

procedure that provides for approval of travel expense claims. During the exit interview, a compliance tip regarding reimbursed travel expenses was provided.

OLMS recommends that union policies and procedures for expenses be reduced to writing and added to your union's bylaws or discussed at an executive board or membership meeting where they can be supported by entries in the meeting minutes. Once established, it is important that your union consistently follow its procedures for handling payments for expenses.

I want to extend my personal appreciation to AFGE Local 2274 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. Dan Wilhelm, Chief Steward  
Ms. Tracy Smith, Treasurer  
Ms. Kim Evans, Sgt-at-Arms  
Mr. Ron Earl, Trustee