



September 11, 2019

Ms. Doreen Greenwald, President
Treasury Employees Union, IND, Chapter 1

Case Number: 320-6015764-
LM Number: 502331

Dear Ms. Greenwald:

This office has recently completed an audit of Treasury Employees Chapter 1 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 Andrea Erdahl on September 9, 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 1's 2018 records revealed the following recordkeeping violations:

1. Reimbursed Auto Expenses

Union officers and stewards who received reimbursement for the business use of their personal vehicles did not retain adequate documentation to support payments to them totaling at least \$400 during 2018. Although most mileage claims were generally documented on a union

voucher, many vouchers were missing either the dates the mileage expense was incurred 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.

2. General Reimbursed Expenses

Chapter 1 did not retain adequate documentation for reimbursed expenses incurred by union officers and stewards totaling at least \$1,000. For example, a \$175 check issued to member Lisa Scholtz was intended to reimburse her for a \$100 postage expense incurred at USPS on April 12, 2018 and a \$75 expense incurred at Meijers in Greenfield on March 28, 2018. However, Chapter 1 maintained only a copy of Ms. Scholtz's personal credit card statement in support of this payment and failed to retain the original receipts for each expense.

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 1 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 1 for the fiscal year ended September 30, 2018, was deficient in the following areas:

1. Netting Receipt and Disbursement Transactions

The audit found that on January 19, 2018, Chapter 1 collected \$190 from members at the membership meeting. On April 28, 2018, Chapter 1 collected an additional \$220 from members at the membership meeting. During the audit, you explained that this money is collected from the members to offset the cost of the food that the local provides to the members at the meeting. Both of these receipts of money were erroneously recorded as negative disbursements in the union's records. As a result, the receipts and disbursements of Chapter 1 related to the refreshments provided to the members at the two meetings were underreported on the Form LM-3 for the audit year.

As discussed during the exit interview, the purpose of Statement B (Receipts and Disbursements) is to report the flow of cash in an out of your organization during the reporting period and therefore "netting" is not permitted. Chapter 1 must report every receipt that was received during

the fiscal year, as well as all disbursements, in Statement B. If a receipt does not conform to one of the defined items in Statement B it must be included in Item 43 (Other Receipts).

2. Disbursements to Officers

Chapter 1 did not report the names of some officers (including area directors) and the total amounts of payments to them or on their behalf in Item 24 (All Officers and Disbursements to Officers). The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to Chapter 1 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).

3. Disbursement to Employees

The audit revealed that Chapter 1 failed to report reimbursed expense payments totaling more than \$3,000 made to union stewards during the audit year in Item 46 (To Employees). These payments were erroneously reported as office and administrative expenses in Item 48. All payments made to members, other than officers, who are working in a capacity for the union, such as union stewards, must be reported in Item 46.

4. 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 leather folders and coffee mugs totaling almost \$130 to retired members during the audit year. The union must identify the type and value of any property received or given away in the additional information section 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 if appropriate such as "members" or "new retirees."

5. 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 1 amended its constitution and bylaws in 2016, but did not file the required copies with its LM report for that year.

Chapter 1 has now filed a copy of its constitution and bylaws.

I am not requiring that Chapter 1 file an amended LM report for 2018 to correct the deficient items, but Chapter 1 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issue

Expense Policy

The audit revealed that Chapter 1 reimburses union officers and employees for various travel expenses, including per diem, mileage, lodging, airfare, taxi fares, and parking. As I discussed during the exit interview with you, the audit revealed that Chapter 1 does not have a clear policy regarding the types of expenses personnel may claim for reimbursement. OLMS recommends that unions (1) adopt clear policies and procedures for travel; (2) maintain detailed documentation to support travel expense payments; and (3) regularly monitor compliance with the established travel expense policy and procedure.

I want to extend my personal appreciation to Treasury Employees Chapter 1 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,



Senior Investigator

cc: Ms. Diane Patterson, Vice President
Ms. Andrea Erdahl, Treasurer