



September 30, 2019

Mr. Richard Williams, President
AFGE Local 614
PO Box 505
Pine Knot, KY 42635-0505

Case Number: 350-6015266 [REDACTED]
LM Number: 543603

Dear Mr. Williams:

This office has recently completed an audit of AFGE Local 614 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, Secretary-Treasurer Bobbie Chitwood, Executive Vice President Jeff Cornelius, and Vice President Richard Bowles on September 30, 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 614's 2016, 2017 and 2018 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses and Debit Card Transactions

During fiscal years ended December 31, 2016 and December 31, 2017, Local 614 did not retain any documentation, besides Federal Bureau of Prisons credit card statements, of at least \$11,015.42 in travel expenses incurred by former President Don Peace and former Executive Vice President Larry Brown.

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.

2. Meal Expenses

Local 614 did not retain adequate documentation for debit card expenses for meals incurred by you totaling at least \$169.72. Specifically, there was no receipt for the debit card transaction on February 22, 2018 in the amount of \$65.62 at the Country Café. Although receipts were retained for debit card charges on January 22, 2018 in the amount of \$48.22 and on February 26, 2018 in the amount of \$55.88 at Levi's Sports Bar, information on the receipts provided either the participants or the purpose of the meeting, but not both.

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.

3. New Member Cash Rebates and Recruiter Rebates

During 2016, Peace and Secretary-Treasurer Bobbie Chitwood obtained \$2,000.00 and \$1,650.00 in cash, respectively, to pay new member and recruiter bonuses. Although Local 614 retained the Form 1187s identifying the new members, the local did not retain any documentation detailing the disposition of the cash. Local 614 did not record when the cash was distributed to the new member and did not document the identity of the recruiter or when the cash was distributed to the recruiter.

4. Failure to Record Receipts

Local 614 did not record all receipts. During 2018, Local 614 received dues and recruiting rebates in excess of \$29,000.00, but only recorded receipts totaling \$1,398.00. 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.

5. Failure to Record Debit Card Transactions

During 2018, Local 614 did not record debit card transactions and an ACH payment totaling \$3,310.27. Union disbursement records must include an adequate identification of all money the union disburses. The records should show the date, amount disbursed, and the purpose of the disbursement.

6. Information not Recorded in Meeting Minutes

Local 614's bylaws provide all expenditures over \$100.00 shall be governed by the annual budget, approved by the membership. The executive board is authorized to shift funds between the budget items, if necessary. On September 24, 2018, the local paid \$273.80 for [REDACTED] lodging at the Williamsburg, Kentucky Hampton Inn. During the audit, you disclosed that [REDACTED] provided training to the employees of USP McCreary. The local paid for [REDACTED] lodging and the USP McCreary Employees Club paid for the training. The disbursement was not a budgeted item in the 2018 budget. Although you believe the membership authorized the disbursement, neither the meeting minutes nor executive board meeting minutes provide authorization for the disbursement. Minutes of all membership or executive board meetings must report any disbursement authorizations made at those meetings.

7. Voided Checks

Local 614 did not retain one voided check. Although the check was not processed for payment and Chitwood stated she destroyed the check, voided checks should be maintained with the union's financial records.

Based on your assurance that Local 614 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 614 for the fiscal year ended December 31, 2018, was deficient in the following areas:

1. Disbursements to Officers (LM-3)

Local 614 did not include some reimbursements to officers totaling at least \$369.72 in the amounts reported in Item 24 (All Officers and Disbursements to Officers). It appears the union erroneously reported these payments in Item 54 (Other Disbursements). In addition, Local 614 did not report the names of some officers who held office during the year. 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 Local 614 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).

2. Cash Reconciliation

It appears that the cash figures reported in Item 25 (Cash) are not the figures according to Local 614's books after reconciliation to the bank statements. The instructions for Item 25 state that the union should obtain account balances from its books as reconciled to the balances shown on bank statements.

3. Other Receipts Reported as Dues

During 2018, Local 614 received dues totaling \$25,071.76, but reported dues received of \$29,510.00. Local 614 erroneously included AFGE and Council of Prisons Local - 33 rebates and debit card credits totaling \$5,863.00 as dues. The rebates and debit card credits should be reported in Item 43 (Other Receipts).

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. Local 614 amended its bylaws in 2010, but did not file the required copies with its LM report for that year. Local 614 has now filed a copy of its bylaws.

I also discussed various reporting issues with you, such as the over reporting of amounts in Item 54 (Other Disbursements). I am not requiring that Local 614 file an amended LM report for 2018 to correct the deficient items, but Local 614 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Issues

1. Travel Expense Policy

The audit revealed Local 614 does not have clear policies governing travel. The problem areas I discussed with you during the exit interview include:

- a. Local 614's bylaws proscribe that travel expenses shall be limited to actual receipts for lodging, transportation, and tips. Per diem shall be authorized at the official government rate for the destination. The audit revealed Local 614 paid travelers per diems of \$75.00 or \$79.00 per day for all destinations except Washington, DC. Travelers received a per diem of \$100.00 per day for Washington DC. The per diem rates paid by the local were in excess of the official government rate. Travelers typically received per diem for the travel day prior to and after the conference. However, Peace, Brown, Chitwood, and former Chief Steward Clint Stephens received an extra day of per diem to attend the Council of Prisons Local – 33 Regional Training in June 2016. In 2017, you, Peace, Brown, and Stephens received seven days of per diem, although the Council of Prisons Local – 33 caucus was from June 27, 2017 to June 29, 2017 with travel days on June 26 and June 30. For both trips, the local paid for lodging incurred for the night prior to the designated travel day.
- b. You advised that based on past practice, an officer receiving per diem cannot be reimbursed for a meal unless it is in conjunction with union business such as a meeting with an attorney or a representative from another local or district council. Spouses were also permitted to travel with the officers so long as no additional expenses were incurred. The audit revealed officers received meal reimbursements in addition to their per diem. In February 2017, Peace, while receiving per diem, was reimbursed \$234.01 for a meal. The meeting minutes accompanying the receipt indicate Peace, Brown, and their spouses were the recipients of the meal. In 2017, Chitwood received per diem during her trip to San Juan, Puerto Rico to attend AFGE Diversity Week. During the trip, the local paid \$32.88 for a meal charged to Chitwood's hotel room.
- c. The audit also revealed that during the 2017 trip to the Council of Prisons Local – 33 caucus, the local paid Peace mileage in advance of the trip, but also reimbursed Peace for gas charges totaling \$174.00.

OLMS recommends that unions adopt written guidelines concerning such matters.

2. Segregation of Duties (Receipts)

The audit revealed one officer receives the mail, prepares deposit slips, endorses checks, makes deposits, and records deposits in the local's financial records. I discussed the financial integrity protections provided by segregating the duties with regard to the receipt and subsequent deposit of funds.

3. Former Officer is a Signatory

Brown remains a signatory on the local's checking account. During the exit interview, you informed me that you will remove Brown from the account.

I want to extend my personal appreciation to Local 614 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