



February 26, 2015

Mr. Edward Abounader, President  
Government Employees AFGE, AFL-CIO  
Local 201  
PO Box 1304  
Rome, NY 13442-1304

Case Number: 110-6002910  
LM Number: 540947

Dear Mr. Abounader:

This office has recently completed an audit of AFGE Local 201 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 Keith Watkins, Vice President Gary Shaver, and Second Vice President Ed Gaut on February 19, 2015, 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 201's 2014 records revealed the following recordkeeping violations:

1. General Expenses

Local 201 did not retain adequate documentation for many debit card expenses incurred by union officers in 2014, totaling over \$1,100. For example, in the month of October 2014 there were several travel related charges for which there were no receipts or supporting documentation. Common monthly debit card expenses included office supplies, union travel expenses, postage, and meal expenses. Several receipts were not maintained in union records to support such charges. All original receipts must be maintained containing the name of the person making the purchase and the nature of the purchase.

As previously noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The president and treasurer of your union, who are required to sign your union's LM report, are responsible for properly maintaining union records.

2. Meal Expenses

Local 201 did not require officers and employees to submit itemized receipts for meal expenses totaling at least \$385. The union must maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Local 201 records of meal expenses did not always include written explanations of union business conducted or the names and titles of the persons incurring the restaurant charges. For example, in the month of August 2014 there were several restaurant charges for which there were no receipts or supporting documentation. Most of these meal expenses were charged on the union's debit card. These meal expenses included meetings of various union committees or food purchased for meetings with persons involved with union matters. 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. Receipt Sources not Recorded

Entries in Local 201's receipts journal reflect the date the union deposited money, but not the source of the money. 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. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the/LM-3.

Further the source of the receipts is necessary for reporting accurately the total receipts for each category in Items 38 through 43.

Based on your assurance that Local 201 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 201 for the fiscal year ended December 31, 2013, was deficient in the following areas:

#### 1. Disbursements to Officers

Local 201 did not include any payments to officers totaling at least \$10,000 in Item 24 (All Officers and Disbursements to Officers). For example, direct reimbursements to officers as well as debit card charges made by officers that included categories such as meals, travel, and fuel, were not reported in Item 24. It appears the union erroneously reported these payments in Item 48 (Office and Administrative Expense).

The union must report most direct disbursements to Local 201 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. Savings Account Reported as an Other Asset

Local 201 improperly included the value of a savings account as an Other Asset in Statement A (Assets and Liabilities). For LM reporting purposes, OLMS considers a savings account to be cash.

I am not requiring that Local 201 file an amended LM report for 2013 to correct the deficient items, but Local 201 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to AFGE Local 201 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. Keith Watkins, Treasurer  
Mr. Gary Shaver, Vice President  
Mr. Ed Gaut, 2<sup>nd</sup> Vice President