



March 16, 2016

Rosendo Rocha, Jr., President
Government Employees, AFGE, AFL-CIO
Local 3272
P.O. Box 1816
Holland, MI 49422

Case Number: 320-6006364-
LM Number: 503843

Dear Mr. Rocha:

This office has recently completed an audit of Government Employees (AFGE) Local 3272 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 Treasurer Lori Hull on February 17, 2016, 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 Labor-Management Reporting and Disclosure Act of 1959 (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 3272's 2015 records revealed the following recordkeeping violations:

New Member Rebate Payment and Reimbursed Meal Expenses

The audit revealed that Local 3272 did not retain adequate documentation for a check issued to Vice President Alan Story for a new member recruiter rebate and for checks issued to Ms. Hull and you

for reimbursed meal expenses totaling at least \$221.72. For each rebate check, Local 3272 retained supporting documentation that indicated the new members recruited; however, in the case of the rebate check issued to Mr. Story, Local 3272 only retained the cancelled check in support of the payment, which is not sufficient. The AFGE requires a recruiter rebate form to be maintained for each membership application submitted; such records must be retained by Local 3272 for all recruiter rebate payments. In the case of meal expenses, officers typically did not retain itemized receipts and did not identify the names and titles of the people present for the restaurant charges in the union's records. For example, Local 3272 failed to retain adequate supporting documentation for a \$43.65 meal expense for which you were reimbursed on December 18, 2014. In support of this expense, Local 3272 retained an itemized meal receipt and a voucher stating the purpose of the meal, but failed to identify the names and titles of the people present for the meal in the union records.

As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. The union must maintain itemized receipts provided by restaurants to officers and the 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 incurred meal expenses. These records are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of 29 C.F.R. Section 403.7. The president and treasurer (or corresponding principal officers), who are required to sign your union's LM report, are responsible for properly maintaining union records.

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 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 violations of this requirement.

The Labor Organization Annual Report Form LM-3 filed by Local 3272 for the fiscal year ended March 31, 2015, was deficient in that Local 3272 did not include some payments to Mr. Story and you totaling at least \$223 in Item 24 (All Officers and Disbursements to Officers), Column (E) (Allowances and Other Disbursements). Local 3272's QuickBooks disbursements journal reflected that Mr. Story and you received reimbursements and other payments totaling at least \$19,414; however, the amounts reported in Column E for Mr. Story and you total only \$19,191. During the exit interview, Ms. Hull was not able to explain the reason for this difference, but thought it could be a result of her miscalculating the reportable expenses for Mr. Story and you.

The audit also revealed that Local 3272 reported no payments to employees in Item 46 (Disbursements to Employees); however, [REDACTED] received approximately \$1,731.59 in travel expenses to attend the AFGE National Convention, the Local 3272 Health and Safety training in Northern Michigan, and other union functions during the audit year. During the exit interview, Ms. Hull advised that she reported all travel advance payments to non-officers in Item 54 (Other Disbursements). Disbursements to individuals other than officers who receive lost time payments, stipends, allowances, reimbursed expenses, etc., for conducting union business must be reported in

Item 46 even if your organization does not consider them to be employees or does not make any other direct or indirect disbursements to them.

Most direct disbursements to Local 3272 officers and some indirect disbursements made on behalf of its officers must be reported in Item 24. Most direct disbursements to Local 3272 employees and some indirect disbursements made on behalf of its employees must be reported in Item 46. A "direct disbursement" to an officer/employee is a payment made to an officer/employee 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/employee 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/employee. However, indirect disbursements for temporary lodging (such as a union check issued to a hotel for room rent only) or for transportation by a public carrier (such as an airline) for an officer/employee traveling on union business should be reported in Item 48 (Office and Administrative Expense).

I am not requiring that Local 3272 file an amended LM-3 report for 2015 to correct the deficient items, but Local 3272 has agreed to properly report the deficient items on all future reports it files with OLMS.

Other Violation

The audit disclosed the following other violation:

Inadequate Bonding

Pursuant to 29 C.F.R. Section 458.35, officers and employees of any labor organization subject to the CSRA are required to be bonded in accordance with Section 502(a) of the LMRDA. This provision requires that union officers and employees be bonded for no less than 10% of the total funds those individuals or their predecessors handled during the preceding fiscal year. The audit revealed that Local 3272's officers and employees were not bonded for the minimum amount required at the time of the audit. However, Local 3272 obtained adequate bonding coverage and provided evidence of this to OLMS during the audit. As a result, OLMS will take no further enforcement action regarding this issue.

I want to extend my personal appreciation to AFGE Local 3272 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: Ms. Lori Hull, Treasurer