



August 13, 2010

Mr. Jason Payne, President
Fire Fighters AFL-CIO Local 60
708 W. Baseline Rd.
Mesa, AZ 85210

Case Number: |||||
LM Number: 542990

Dear Mr. Payne:

This office has recently completed an audit of Fire Fighters AFL-CIO Local 60-I under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with you on August 10, 2010, the following problems were disclosed during the audit. 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 requires, among other things, that labor organizations maintain adequate records for at least five years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, labor organizations must maintain 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 60's 2008 records revealed the following recordkeeping violations:

1. General Reimbursed and Debit Card Expenses

Local 60 did not retain sufficient documentation or descriptive information for \$13,425.95 in reimbursed expenses and \$40,796.72 in debit card transactions incurred by former

Secretary-Treasurer Kacy Stoneburg. These and other records, which Stoneburg allegedly maintained in a “purple box”, have been missing since Stoneburg left as local Secretary-Treasurer. As previously noted, 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 records in accordance with LMRDA requirements.

2. Meal Expenses

Local 60’s 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, \$4,778.39 in food or meal-related debit card transactions incurred by former Secretary-Treasurer Kacy Stoneburg during the audit year were not supported by receipts; nor did the union include adequate descriptive information in the financial ledgers. 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. Reimbursed Auto Expenses

Mileage reimbursements received by former Secretary-Treasurer ||| for business use of her personal vehicles were not supported by adequate documentation or descriptive information in the union’s books. The union must maintain records which identify the dates of travel, locations traveled to and from, and number of miles driven. The records 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. Lack of Salary Authorization

During the audit, officers stated that salary policies were contained in the local bylaws and that changes to the salary levels were authorized at membership meetings. However, a review of the local bylaws disclosed no reference to specific officer salary levels, nor a description of the procedures for changing those levels. Additionally, the union did not provide the meeting minutes to confirm the authorization of the current officer salaries. As such, the local did not maintain adequate records to verify that salaries reported in Schedule 11 (All Officers and Disbursements to Officers) of the LM-2 were the authorized amounts and correctly reported. The union must keep records, such as bylaws and meeting minutes, to show the current salary levels authorized by the entity or individual in the union with the authority to establish salaries.

5. Meeting Minutes

During the audit, officers stated that former Secretary-Treasurer ||| also handled the duties of the Recording Secretary duties, which included recording and maintaining membership and executive board meeting minutes. However, the union could not locate the minutes after she left office and the local did not maintain additional copies of these minutes. Local officers are required to maintain minutes of all membership and executive board meetings to report any adequate detail concerning financial authorizations made at the meetings.

6. General Disbursement and Receipt Records

Local 60 did not maintain adequate disbursement and receipt records during the audit year to properly identify all money the union received, deposited, and disbursed. Specifically, Local 60 failed to maintain bank records (including monthly statements, deposit records, canceled checks, check stubs, etc); union receipt and disbursement ledgers or journals; and supporting documentation, including vouchers, receipts, invoices, dues checkoff reports, and per capita reports.

The proper maintenance of union records is the personal responsibility of the individuals who are required to file Local 60's Labor Organization Annual Report Form LM-2 (i.e., President and Treasurer or corresponding officers). You should be aware that under the provisions of Section 209(a) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful failure to maintain records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. Under the provisions of Section 209(c) of the LMRDA and Section 3571 of Title 18 of the U.S. Code, willful destruction or falsification of records can result in a fine of up to \$100,000 or imprisonment for not more than one year, or both. The penalties provided in Section 209(c) and Section 3571 of Title 18 apply to any person who caused the violations, not just the individuals who are responsible for filing the union's LM report.

Reporting Violations

The audit disclosed violations of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-2) filed by Local 60 for fiscal year ending December 31, 2008 was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 60 did not include some disbursements by and reimbursements to certain officers in Schedule 11 (All Officers and Disbursements to Officers), which caused the reported amounts incurred by or paid to those officers be incorrectly reported on the submitted LM-2. Salary, officer expenses, and other payments to officers were, for the most part, correctly and fully reported for all officers. Specifically, the LM-2 disclosed included an extra \$800 payroll payment to Secretary-Treasurer ||| but failed to disclose \$100 paid for a union related

expense and \$500 (loss attributed to |||) for a non-union related expense; included an extra \$200 payroll payment to Trustees Steve Alexander and Teresa Plemons; and failed to include \$402 in reimbursed expenses paid to Trustee David Nixon.

The union must report in Column F of Schedules 11 and 12 (Disbursements for Official Business) direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business. In addition, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business.

2. Fixed Assets

The local did not report certain fixed assets which were required to be reported on Schedule 6 of the LM-2 report for the audit year. Although this did not include major fixed assets, such as land, buildings, or automobiles, the local possessed several minor items, such as computers, peripherals, office equipment, cellular telephones, and office furniture, which should have been reported on Schedule 6.

3. Failure to File Bylaws

The audit disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution or bylaws along with its LM report when it makes changes to its constitution or bylaws. Local 60 amended its bylaws in March 2007 but did not file a copy with its LM report for that year. However, during the audit, the local provided a copy of its current bylaws (March 2007) in order to resolve this reporting violation.

I am not requiring that Local 60 file an amended LM report for fiscal year 2008 to correct the above referenced deficient reporting items, as Local 60 has agreed to ensure that disbursements to officers and employees and fixed assets are correctly reported on future LM reports.

Other Violations

The audit disclosed the following other violation:

Bonding

The audit revealed a violation of LMRDA Section 502 (Bonding), which requires that union officers and employees be bonded for no less than 10 percent of the total funds those individuals or their predecessors handled during the preceding fiscal year. Local 60's officers and employees were bonded for \$17,500 during the audit year but they should have been bonded for at least \$34,381.47. Local 60 must obtain adequate bonding coverage for its officers and employees

immediately. As promised during the exit interview, please provide proof of adequate bonding coverage to this office no later than August 25, 2010.

Other Issues

The audit disclosed the following other issues:

1. Expense Policy

As discussed during the exit interview, the audit revealed that Local 60 does not have a clear policy regarding officer salary determinations or the types of expenses personnel may claim for reimbursement and the types of expenses that may be charged to union debit cards. It is recommended that your local adopt written guidelines concerning such matters.

2. Personal Use of Debit Card

The audit confirmed that former Secretary-Treasurer ||| made an unauthorized \$500 debit card transaction on February 13, 2008 for an automobile downpayment to Berge Ford, even though Local 60 prohibits officers and employees from using their union debit cards for personal purposes. Although ||| claimed that this was done inadvertently and repaid the \$500 in 2009, she did so much later and only after the improper transaction was detected by the union. It is recommended that the local improve its internal financial controls to prevent officers and employees from making personal purchases with their union credit cards in the future.

I want to extend my personal appreciation to Fire Fighters AFL-CIO Local 60-I 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. Kevin Burkhart, Secretary-Treasurer