



April 28, 2011

Mr. Peter Swinford, Deputy Administrator
State, County, & Muni Employees Local 1954
c/o District Council 48
3427 W. St. Paul Avenue
Milwaukee, WI 53208

Case Number: [REDACTED]
LM Number: 516570

Dear Mr. Swinford:

This office has recently completed an audit of State, County, & Muni Employees Local 1954 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 today, 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 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 1954's 2008 and 2009 records revealed the following recordkeeping violations:

1. General Reimbursed Expenses

Local 1954 did not retain adequate documentation for reimbursed expenses incurred by officers totaling at least \$500. For such expenses, Local 1954 only retained check stubs and handwritten notes. For example, at least \$417 was disbursed to President Zella Brooks and Secretary Treasurer Gracie Edwards for per diem for attending conferences and conventions.

However, the only records retained to support those expenses were copies of the canceled checks and the check stubs that only identified the dates for which per diem was paid, and did not identify the rate of per diem claimed or the location traveled to. In the case of per diem payments to officers for travel on union business, Local 1954 must maintain records which identify the business purpose of each trip, the dates of travel, the destination, and the per diem rate paid.

During the exit interview, I provided a compliance tip sheet, *Reimbursed Travel Expense Payments*, which contained a sample of an expense voucher Local 1954 may use to satisfy this requirement. The sample identifies the type of information and documentation that the local must maintain for officer expenses. As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements. 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.

2. Reimbursed Auto Expenses

President Zella Brooks received a reimbursement for business use of her personal vehicle totaling at least \$150 during 2008. However, the only record maintained in support of this mileage expense was a check stub that indicated "mileage" and listed dates of travel. For mileage expenses, Local 1954 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.

3. Direct Disbursements to Vendors

Adequate documentation was not retained for some disbursements for travel to conferences and conventions issued directly to vendors for airfare and lodging, totaling at least \$1,800. Local 1954 often failed to maintain the original supporting documentation or retained no documentation for these disbursements. For example, President Zella Brooks and Gracie Edwards traveled to Green Bay, WI for the People's Conference. Checks were issued to the hotel for lodging, but no hotel folio was found in the records. In addition, Local 1954 often retained photocopies of supporting documentation rather than the original, which are not sufficient to meet the recordkeeping requirement. As noted above, labor organizations must retain original receipts, bills, and vouchers for all disbursements.

4. Receipt Dates not Recorded

Local 1954 maintained no record of its receipts other than copies of bank deposit tickets which identified the source and amount of all receipts, but not the dates that funds were received. Unions must retain receipts records which show the date, amount, and source of all receipts. The date of receipt is required to be recorded in union records to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-3. The LM-3 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money.

Failure to record the date money was received could result in reporting some receipts on the LM-3 for a different year than the year it actually received them.

Reporting Violations

The audit disclosed a violation 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-3) filed by Local 1954 for the fiscal year ended December 31, 2009, was deficient in the following areas:

1. Disbursements to Officers

Local 1954 did not include reimbursements to officers totaling at least \$150 in 2009 in the amounts reported Item 24 (All Officers and Disbursements to Officers). In addition, review of the 2008 records and LM-3 report indicates that Local 1954 did not include reimbursements to officers totaling at least \$1,700 in the amounts reported as paid to officers in Item 24. Local 1954's check stubs indicate that President Zella Brooks, Secretary Treasurer Gracie Edwards, and Vice President Mike Balistriere received expense payments during 2008 and 2009. However, nothing was reported next to their names in Item 24 for fiscal year ended 2008 or 2009. It appears that that these disbursements were erroneously included in the amounts reported in Item 48 (Office & Administration Expense) and Item 54 (Other Disbursements).

Most direct disbursements to Local 1954 officers and some indirect disbursements made on behalf of its officers must be reported 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. Statement A (Cash Balances)

Local 1954 incorrectly overreported the cash balances at the beginning and end of the reporting period in Item 25 (Cash). Local 1954 failed to maintain a book balance during the year. Local 1954's bank statements show the beginning cash balance for 2009 is \$36,705.89. However, \$47,181 is reported in Item 25A (Cash – Start of the Reporting Period). Further, Local 1954's bank statements show at the end of the year was \$37,102.75, but \$47,053 is reported in Item 25B (Cash – End of the Reporting Period). 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. Local 1954 records reflect that book balances were not retained and union records were never reconciled to bank figures.

3. Failure to File LM-3 Reports by the Due Date

The audit disclosed a violation of LMRDA, which requires the president and treasurer, or corresponding principal officers, of each labor organization to file an annual financial report accurately disclosing the union's financial condition and operations. Local 1954 has failed to file its annual financial report with OLMS by the due date required by Section 201(b) of the LMRDA since at least 2001. Section 201(b) requires that annual financial reports (LM) be filed within 90 days after the end of the labor organization's fiscal year. Local 1954's fiscal year ends on December 31, and it must file its annual financial report by March 31 of each year (or by March 30 in a leap year). OLMS records show that during the last ten years, Local 1954 has filed its LM-3 report an average of 188 days late, and only after OLMS opened a delinquent report case and investigators contacted union officers numerous times each year.

I am not requiring that Local 1954 file an amended LM report for 2008 or 2009 to correct the deficient item, but Local 1954 has agreed to properly report the deficient items on all future reports it files with OLMS. You advised the trusteeship of Local 1954 will end and new officers will be installed in June 2011. You agreed to ensure that the new officers of Local 1954 will file timely reports with OLMS from this point forward.

Other Issue

Signing Blank Checks

During the audit, President Zella Brooks advised that Secretary Treasurer Gracie Edwards signs blank checks and that Ms. Brooks signs and issues all union checks. Article VI of Local 1954's bylaws require that all checks be signed by the president and treasurer. The two signature requirement is an effective internal control of union funds. Its purpose is to attest to the authenticity of a completed document already signed. However, signing a blank check in advance does not attest to the authenticity of a completed check, and negates the purpose of the two signature requirement. OLMS recommends that Local 1954 review these procedures to improve internal control of union funds.

I want to extend my personal appreciation to AFSCME District Council 48 and Local 1954 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. Debra Garcia, Administrator