



April 21, 2015

Ms. Sandra Crayton, President  
State, County, and Muni Empls, AFL-CIO  
Local 2650  
3200 Beecher Rd.  
Suite 2C  
Flint, MI 48532

Case Number: 320-6002984( )  
LM Number: 542795

Dear Ms. Crayton:

This office has recently completed an audit of AFSCME Local 2650 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 and Treasurer Jessica Helmer on February 9, 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 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 2650's 2013 records revealed the following recordkeeping violations:

#### 1. Lost Wages

Local 2650 did not retain adequate documentation for lost wage reimbursement payments

to the chief steward. The union must maintain records in support of lost wage claims that identify each date lost wages were incurred, the number of hours lost on each date, the applicable rate of pay, and a description of the union business conducted. The OLMS audit found that Local 2650 maintained vouchers that identify the amount of lost time paid, but the date(s) lost wages were incurred, the number of hours lost on each date, the rate of pay, and the union business conducted were not identified on the majority of vouchers. During the exit interview, I provided a compliance tip sheet, *Union Lost Time Payments*, which identifies the type of information and documentation that the local must maintain for lost wages.

## 2. Information Not Recorded in Meeting Minutes

During the audit, Ms. Crayton advised OLMS that the membership authorized the purchase of nearly \$25,000 of gift cards at a membership meeting and the executive board authorized distribution of those gift cards to members at a subsequent meeting. The purchase of the gift cards was in excess of \$500. The Local 2650 Bylaws require that expenditures exceeding \$500 be authorized by the membership. However, the minutes provided during the audit do not show clear authorization for the purchase of the gift cards, as well as other disbursements over \$500 (e.g., purchases for a picnic). Minutes of all membership or executive board meetings must clearly and accurately report any disbursements authorizations made at those meetings. The minutes should include both the motion and the notation that the motion passed, carried, or was tabled.

## 3. Disposition of Property

Local 2650 maintained records showing which members received the over \$20,000 of gift cards given away, but it did not record which members received multiple \$20 gift cards and did not maintain an inventory of unused gift cards. Such inventory or similar record must be used to support the value of union property on hand at the beginning and end of each year, which must be reported in Item 30 (Other Assets) on the Form LM-3. Based on your assurance that Local 2650 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

### 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 2650 for the fiscal year ended December 31, 2013, was deficient in the following areas:

#### 1. Acquire/Dispose of Property

As previously mentioned, Local 2650 purchased nearly \$25,000 of gift cards during the audit period and gave away most of the cards to members. Consequently, Item 13 (Acquisition or Disposition of Assets) should have been answered "Yes." The union must describe the items

given away in Item 56 (Additional Information), as well as the manner in which they were disposed of, their value, and the identity of the recipients. The union does not have to itemize every recipient of such giveaways by name. The union can describe the recipients by broad categories, if appropriate, such as “members” or “new retirees.” In addition, the union must report in Item 56 the cost or other basis at which the gift cards disposed of were carried on the union’s books.

## 2. Purchase and Inventory of Gift Cards

The purchase of the above gift cards was erroneously reported in Item 48 (Office and Administrative Expenses), rather than in Item 51 (Contributions, Gifts, and Grants). Also, as noted earlier, Local 2650 failed to report the total value of the unused gift cards on hand at the end of the year in Item 30.

I am not requiring that Local 2650 file an amended Form LM-3 for 2013 to correct the deficient items, but Local 2650 has agreed to properly report the deficient items on all future reports it files with OLMS.

I want to extend my personal appreciation to AFSCME Local 2650 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. Jessica Helmer, Treasurer