

**U.S. Department of Labor**

Office of Labor-Management Standards  
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March 22, 2016

Mr. Kevin Brown, President  
American Federation of State, County, and Municipal  
Employees Local 3001  
7611 Little River Turnpike  
Suite 104W  
Annandale, VA 22003

Case Number: 450-6004782 [REDACTED]  
LM Number: 508-554

Dear Mr. Brown:

This office has recently completed an audit of American Federation of State, County, and Municipal Employees Local 3001 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, Executive Director Charles Smith, and Office Manager Patricia Bayliss on January 8, 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.

Record Keeping 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 3001's 2012 records revealed the following record keeping violations:

1. Lack of Salary Authorization

Local 3001 lacked documentation of the executive board and/or membership authorizing Executive Director Smith's salary. Local 3001 did not maintain records to verify that the salary amount reported on the LM-3 was the authorized amounts and therefore were correctly reported. The union must keep a record, such as meeting minutes, to show the current salary amount authorized by the entity or individual in the union with the authority to establish salaries.

2. Employers Check-off Receipts

Local 3001 failed to maintain some employer dues check-off lists from the following employers: Fairfax County Public Schools, National Express Transit/ Forsythe Transportation INC (VA), and Prince Williams County Employees. Union receipts records must include an adequate identification of each receipt of money. The records should show the exact date that the money was received, the identity of the source of the money, and the individual amount received from each source.

3. Failure to Maintain Disbursement Receipts

Local 3001 wrote numerous checks each month to Colonial Insurance for members' life and accidental insurance. There were no records to indicate the purpose of these payments, the names of the members it covered and the premium amount for each covered member.

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 union records.

Based on your assurance that Local 3001 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 3001 for the fiscal year ended December 31, 2012, was deficient in the following areas:

### 1. Reported Cash Balances

Beginning and ending cash balances reported in Item 25 of the 2012 LM-3 report did not include the funds in the union's trust account. The audit revealed that the beginning cash balance reported on the Form LM-3 report for December 31, 2012 is understated by \$35,689.

The LM-3 instructions state Item 25 (Cash) is to include all cash on hand, including cash, checks, and money orders, even if they have not been deposited yet. Also included are deposited funds from checking, savings, certificates of deposit, and money market accounts.

### 2. Net Assets

Local 3001 failed to include the correct amount in Item 37 (Net Assets). Item 37 (C) (net assets at start of reporting period) on the 2012 LM-3 should be the same as Item 37 (D) (net assets at end of reporting period) on the 2011 LM report, or you must provide a sufficient explanation in Item 56 (additional information) to explain the difference.

### 3. Total Receipts and Disbursements

The total receipts and disbursements reported in Items 44 and 55 (Total Receipts and Total Disbursements) do not match the total figures calculated during the audit. The local must accurately report total receipts and total disbursements on its LM-3 report.

Local 3001 reported on the 2012 LM-3 \$186,986 in total receipts. OLMS calculated \$240,143, a difference of \$53,157 more in receipts. Local 3001 reported \$186,638 in total disbursements on their LM-3 and OLMS calculated \$212,879, a difference of \$26,241.

The instructions for Statement B (Receipts and Disbursements) of Form LM-3 state that receipts must be recorded when money is actually received by the union and disbursements must be recorded when money is actually paid out by the union. Transfers between separate bank accounts or between special funds of your organization, such as vacation or strike funds, do not represent the flow of cash in and out of your organization. Therefore, these transfers should not be reported as receipts and disbursements of your organization.

Local 3001 must file an amended Form LM-3 for fiscal year ending December 31, 2012 to correct the deficient items discussed above. Included with this letter is a blank form and instructions; additionally, forms and instructions are available on the OLMS website ([www.olms.dol.gov](http://www.olms.dol.gov)). The amended Form LM-3 should be submitted to this office at the above address as soon as possible, but not later than April 8, 2016. Before filing, review the report thoroughly to be sure it is complete, accurate, and signed properly with original signatures.

### Other Issues

The union received \$25,000 in a settlement from an employer in 2012. The funds from the

settlement were deposited into Executive Director Smith's legal trust fund in March 2012. A total of \$9,028 was disbursed to former members from Smith's legal trust fund through December 2012. The remaining balance was kept in Smith's legal trust fund instead of being transferred to the union. As soon as it was determined that there were no longer any parties to distribute funds to, the remaining funds should have been transferred to the union.

From 2013 through 2016, the remaining balance in Smith's legal trust fund was used to pay various expenses for Local 3001. The audit revealed that there were receipts missing for some of these expenses. The remaining balance of \$3,139.24 has now been deposited into the union's general fund.

I want to extend my personal appreciation to American Federation of State, County, and Municipal Employees Local 3001 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,



Auditor

cc: Charles Smith, Executive Director  
Patricia Bayliss, Office Manager