

U.S. Department of Labor

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June 1, 2006

Ms. Jean Wessels, President
AFSCME Local 524
2237 Burton Street, Apt. 26
Beloit, WI 53511

Re: Case Number: ~~XXXXXXXXXX~~

Dear Ms. Wessels:

This office has recently completed an audit of Local 524 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 Treasurer Hattie Linville on March 29, 2006, 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 adequate records be maintained 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, all records used or received in the course of doing union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursements, the goods or services received, and the identity of the recipients 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 note can be written on it providing the additional information. An exception may be made only in those cases where 1) other equally descriptive documentation has been maintained and 2) there is evidence of actual oversight and control over disbursements.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 524's 2003, 2004, and 2005 records revealed the following recordkeeping violations:

1. Bank Statements and Voided Checks

Union records did not contain a number of original bank statements for both the checking and savings accounts. Although duplicate copies were found that appear to be copies generated from the bank's computer, the original statements and other bank documents explaining account transactions must be retained. In addition, voided check [REDACTED] from April 2004 was not found among union records. In the future, all voided checks must be retained.

2. Supporting Documentation for Disbursements

Records were insufficient to fully explain several payments to Council 40, including check [REDACTED] in March 2003 for \$70 noted as "conv for [REDACTED]," check [REDACTED] in March 2005 for \$105 noted as "convention 2005," and check [REDACTED] for \$1,253.60 in August 2003 noted as "back payment 2002 per capita." Treasurer Linville indicated that you may have convention call letters to help support checks [REDACTED] and [REDACTED], but these were not found among the union's records provided. Regarding the back payment, Council 40, when contacted, described the amount as covering a shortage for the months of April through September 2002 when an incorrect rate was used by Local 524 to determine the per capita tax rate. Union records, therefore, should have identified the purpose and details of the shortage.

No invoice or other documentation was found to support check [REDACTED] for \$29.00 to [REDACTED] in April 2004 to reimburse him for a class at Blackhawk Technical College. Several college invoices were found for similar payments, but not for this one.

Local 524 issued check [REDACTED] to WalMart for \$25.00 to purchase an appreciation day gift card. However, no union record could be found that identified the recipient of the gift card and the specific union purpose or activities which resulted in the gift. In addition, there was no mention in meeting minutes of members approving such a purchase.

No per capita tax report for the month of September 2003 was found to support the checks issued the following month to the international union and Council 40.

Documentation to support gasoline expenses paid to several officers to attend meetings and negotiations was incomplete because the locations driven to and from were not identified. For each use of a personal vehicle, records must identify the location traveled to and from, the date of travel, the number of miles driven, and the union business purpose. I provided Ms. Linville with a sample blank expense voucher which Local 524 may use that identifies the type of information and documentation that must be maintained for lost wages, mileage, and other officer expenses.

Provided that in the future Local 524 maintains adequate documentation for its disbursements, no additional enforcement action will be taken regarding this violation.

Reporting Violations

The CAP disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The Labor Organization Annual Report Form LM-3 filed by Local 524 for the years 2003 and 2004 were deficient for the following reasons:

1. Assets and Liabilities

Item 25 (Cash) was incorrect because only the checking account balance was reported and not the savings account balance. The instructions for Item 25 require the reporting of all your organization's cash, including savings accounts and any certificates of deposit.

In addition, it appears that the cash figures reported are not the cash figures according to the union's books after reconciliation to the bank statements. The instructions for Item 25 state that the checking account balances reported should be obtained from your organization's books as reconciled with the balances shown on bank statements. Local 524's financial records showed no evidence of any reconciliation worksheets balancing the books with the bank statements.

Note: In order to accurately complete Item 25 of the LM-3, reconciliation must be done, at a minimum, at the beginning and end of the reporting year. However, I

strongly recommend that the treasurer conduct a monthly reconciliation. A reconciliation worksheet is provided by the bank on the back of the monthly statements. In addition, during the audit I noted that on many occasions the monthly service fees appearing on bank statements were not recorded on the books until months later, even accumulating well into the following year before being recorded on the books. Since the monthly service fees during 2003 and 2004 were as much as \$25 or \$30 a month, sometimes the checking account book balance was inflated by as much as \$100 to \$150—money the union did not have. An accurate book balance can be maintained by conducting a monthly reconciliation.

2. Receipts

Item 41 (Interest) was incorrectly reported on the 2004 report. Bank statements show the savings account paid \$17.51 in interest during 2004; however, the amount reported was \$38.

Item 40 (Fees, Fines, Assessments and Work Permits) was incorrect because no amounts were reported. Most months, Local 524 receives from Beloit Hospital an itemized deduction report divided into two parts – one page summarizing dues deductions and another page summarizing deductions for initiation fees. However, the total of the initiation fees appearing on the deductions reports was not reported in Item 40 of the LM-3 reports.

3. Disbursements

Item 24 (All Officers and Disbursements to Officer) was incorrect on the 2003 and 2004 reports because certain disbursements were not included in the amounts reported in Column E (Allowances and Other Disbursements). Several officers were reimbursed for mileage, convention expenses, parking, office supplies, and stewardship training expenses, which appeared to be incorrectly reported elsewhere. Such direct disbursements to officers are required to be reported in Column E of Item 24.

Item 47 (Per Capita Tax) was incorrect on the 2004 report. Union records for 2004 show that a total of \$45,590 was paid to the international union and to Council 40, not the amount shown on the report of \$46,900. The audit revealed that Local 524 paid convention fees and steward handbook expenses along with its per capita tax payments, but these expenses should have been reported in Item 48, Office and Administrative Expense.

4. Failure to File Bylaws

The CAP disclosed a violation of LMRDA Section 201(a), which requires that a union submit a copy of its revised constitution and bylaws with its LM report when constitution or bylaw changes are made. Local 524 amended its bylaws in March 2002, but no copy was filed. A copy was obtained during the audit.

Local 524 will not be required to file amended LM-3 reports, but as Treasurer Linville agreed, your organization must properly report the deficient items described above on all future reports filed with this office.

Other Issues

The audit disclosed that [REDACTED], continues to be a signatory on the checking and savings accounts. If you have not already done so, I urge you to update the signature cards to reflect current officers.

I want to extend my personal appreciation to Ms. Linville for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials I provided to Ms. Linville are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

[REDACTED]
Investigator

cc: Hattie Linville
Roy Croisant
Tom Larson
LM 530-048