U.S. Department of Labor

Employment Standards Administration
Office of Labor-Management Standards
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January 19, 2007

Ms. Migdalia Baez, President
AFSCME Local 722
P.O. Box 17423
Saint Paul, MN 55117

Re: Case Number [redacted]

Dear Ms. Baez:

This office has recently completed an audit of AFSCME Local 722 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, Treasurer Debra Schmidt, and Council 5 Business Agent Nola Lynch on November 30, 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 5 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 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 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 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 722's 2005 records revealed the following recordkeeping violations:

1. Officer and Employee Expenses

   The president and treasurer of your union, who are required to sign your union's LM report, are responsible for the proper maintenance of union records. In the case of Local 722, the audit revealed adequate documentation was not retained for reimbursed expenses and direct-paid expenses incurred by union officers and employees. For example, Treasurer Schmidt received check [redacted] in the amount of $500 for reimbursement of supplies. However, the receipts retained in support of that payment identify expenses totaling only $405. The date, amount, and business purpose of every expense must be recorded on at least one union record.

2. Lost Wages

   Local 722 officers and employees submitted lost wage claims totaling at least $4,155 during fiscal year ending 2006. Some vouchers submitted by union personnel for lost wages do not identify the union business conducted that required lost wages be incurred. For example, officers and employees frequently identified the purpose of the union business conducted as "local miscellaneous," which is not an adequate description. The lost wage claims must 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.

3. Meeting Minutes

   During the audit, you and Treasurer Schmidt could not locate meeting minutes for the months of July, August and October of 2005 or March, April and June of 2006. Executive board meeting minutes were also missing for the months of July, August, September, October, and December of 2005 as well as March of 2006. You provided a schedule of all membership and executive board meetings for fiscal year 2005 and advised me that the recording secretary maintains minutes of every meeting. Based on my review of the meeting schedule you provided, meetings were held and minutes of the meetings were created, but the minutes could not be located for the audit. Unions must maintain financial records and other related

records that clarify or verify any report filed with OLMS including meeting minutes. Meeting minutes are an important source of documentation for a union's financial affairs and should also contain authorizations for disbursements of union funds

4. Check [redacted] was voided and not retained.

As agreed, provided that Local 722 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

Reporting Violation

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-3 report when constitution or bylaw changes are made. Local 722 amended its constitution and bylaws on September 21, 2006, but a copy was not filed with its LM-3 report for that year. A copy of Local 722's constitution and bylaws has now been filed.

During the audit, Treasurer Schmidt informed me Form LM-3 for fiscal year ending June 30, 2006 had not been filed with OLMS. She was advised that every labor organization subject to the Labor - Management Reporting and Disclosure Act is required to file a financial report with OLMS within 90 days after the end of your fiscal year. Form LM-3 for fiscal year ending June 30, 2006 was received by OLMS on December 27, 2006.

Other Issues

The audit disclosed the following other issues:

1. During the audit, Treasurer Schmidt informed me that lost wages can be earned anytime an officer or employee conducts union business. She also stated lost wages are paid at whatever wage is earned during regularly scheduled work hours. This policy is not written in the union's bylaws, minutes or any other records reviewed during the audit. I strongly suggest that Local 722 take steps to record its lost wage reimbursement policies in union records by discussing them at a future meeting and recording the policies in meeting minutes, or by amending the bylaws, or by recording the information in some other document. The lost time policies should include the circumstances under which lost time may be claimed

and how such payments are calculated. The policies should also identify who is eligible to receive lost wages, whether or not claims may be made for lost overtime or for time worked on union business during periods of employer-paid leave (when no wages are actually lost). I would appreciate it if you would forward a copy of the record documenting the policy to me at the above address.

Verification of lost time claims submitted by union personnel by either allowing trustees to compare lost time claims to employer records or by requiring union personnel to submit proof of lost wages claimed (for example time cards) can be an effective internal control for such payments. During the exit interview, you advised you have revised your internal controls by requiring timecards to be submitted for verifying lost time claims.

2. During the exit interview, I advised you that the audit revealed you were overpaid $184 for a travel advance you incurred for attending a union convention in Duluth, MN. In October 2005, you received check [redacted] in the amount of $313. Documentation for that check shows you claimed two nights of lodging at $92 per night ($184) and meal and incidental expenses of $126 ($42 per day for three days). The expenses total $313. Records show you attended the convention with Vice President Brennan and [redacted] and that Mr. Brennan used his personal credit card to pay for lodging expenses for him, you, and [redacted]. Mr. Brennan was later reimbursed for the lodging expenses. You advised me that you believed your lodging expenses had been charged to your own personal credit card, that you were erroneously reimbursed at least $184 for lodging expenses, and that you will repay that amount to Local 722. I would appreciate it if you would provide evidence of any repayment to me at whatever time payment is made.

I want to extend my personal appreciation to AFSCME Local 722 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 are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

[redacted]
Investigator

cc: Debra Schmidt, Treasurer
Nola Lynch, Council 5 Business Agent
Michael Brennan, Vice President
Bonnie Magnison, Secretary