



May 10, 2012

Ms. Debra Tauer, President  
State County & Muni Empls AFL-CIO Local 105  
[REDACTED]

Case Number: [REDACTED]  
LM Number: 054164

Dear Ms. Tauer:

This office has recently completed an audit of State County & Muni Empls AFL-CIO (AFSCME) Local 105 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 Mary Maki, Vice President Kathy Beckman, Secretary Carolyn Beitlich, and Director Maxine Davis on April 27, 2012, 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 105's 2010 records revealed the following recordkeeping violations:

## Supporting Documentation for Expenses

Local 105 did not retain adequate documentation to support some expenses totaling at least \$1,075. For example, check [REDACTED] was issued to [REDACTED] for \$650 on April 21, 2010 for what the local's check register and voucher indicate was for "entertainment banquet convention." You indicated that Ms. [REDACTED] provided entertainment at the convention. However, no receipts or other documentation was retained that identified the expenses incurred for which Ms. [REDACTED] was reimbursed.

Local 105 did not keep itemized receipts for meal expenses you incurred totaling at least \$175. In most instances where itemized meal receipts were not retained, the meal expenses were charged to hotel invoices. You identified on expense vouchers the union business conducted or business purpose of your trips during which the expenses were incurred. However, the union must also maintain itemized receipts provided by restaurants to officers and employees. These itemized receipts are necessary to determine if such disbursements are for union business purposes and to sufficiently fulfill the recordkeeping requirement of LMRDA Section 206.

Further, Local 105 records of meal expenses did not always include names and titles of persons incurring restaurant charges paid for by the union. The records you maintained in support of some meal expenses incurred at local restaurants included vouchers that identified the union business conducted and notations that the meals were for board members. During the audit, you stated that you occasionally take the executive board and other AFSCME officials out for lunch when quarterly board meetings are held and when the board meets to prepare for the convention. However, the records retained for such meal expenses do not identify which board members or AFSCME officials incurred the restaurant charges. Union records of meal expenses must include written explanations of the union business conducted and the full names and titles of all persons who incurred or received the benefit of the restaurant charges. Also, the records retained must identify the names of the restaurants where the officers or employees incurred meal expenses.

As noted above, 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.

## 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 105 for the fiscal year ended December 31, 2010, was deficient in the following areas:

1. Disbursements to Officers and Employees

Local 105 reported \$13,288 in payments to officers, in Column E (Allowances and Other Disbursements) of Item 24 (All Officers and Disbursements to Officers). However, the local's check register and vouchers show that officers were paid at least \$25,732 in reimbursed expenses for mileage, lodging, per diem, airfare, and meals to attend union meetings and conferences - all of which are required to be included in the amounts reported in Item 24, Column E. In addition, Local 105's check register also indicated that employees were reimbursed for expenses totaling at least \$1,954, but no payments were reported in Item 46 (Disbursements to Employees). It appears the union erroneously reported some of the disbursements that should have been reported in Items 24 and Item 46 in the amount reported in Item 54 (Other Disbursements).

Also, Local 105 did not report the names of Trustees Margaret Metzger or Mary Maki and the total amounts of payments to them or on their behalf in Item 24. It appears the union erroneously reported these payments in Item 54. The union must report in Item 24 all persons who held office during the year, regardless of whether they received any payments from the union.

The union must report most direct disbursements to Local 105 officers and some indirect disbursements made on behalf of its officers 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. Lobbyist/Consultant and Speaker Fees Erroneously Reported in Item 54 (Other Disbursements)

Local 105 erroneously reported \$20,000 in payments to lobbyist and consultant, [REDACTED] in the amount reported in Item 54 (Other Disbursements). Also, the local paid at least \$3,480 to four individuals who were hired to speak or provide entertainment at the 2010 convention and erroneously included those amounts in Item 54. The LM-3 instructions state "payments for "outside" legal and other professional services," should be included in Item 49 (Professional Fees). For 2010, Local 105 erroneously reported no disbursements in Item 49.

3. Failure to File Bylaws

The audit 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 it makes changes to its constitution or bylaws. Local 105 amended its constitution and bylaws in 2007, but did not file a copy with its LM report for that year. A copy of the union's most recent bylaws have now been filed.

As we discussed at the exit interview, Local 105's LM-3 for fiscal year ended December 31, 2011 is also deficient in the same areas mentioned above. Local 105 must file an amended Form LM-3 for the fiscal years ended December 31, 2010 and December 31, 2011, to correct the deficient items discussed above. I encourage Local 105 to complete, sign, and file its reports electronically using the Electronic Forms System (EFS) available at the OLMS website at [www.olms.dol.gov](http://www.olms.dol.gov). Reporting forms and instructions can be downloaded from the website, if you prefer not to file electronically. The amended forms should be filed electronically no later than May 23, 2012 or submitted to this office at the above address by the same date. Before filing, review the reports thoroughly to be sure they are complete and accurate. Paper reports must be signed with original signatures.

I want to extend my personal appreciation to AFSCME Local 105 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. Mary Maki, Treasurer