



July 26, 2023

Mr. Lee Saunders, International President  
State, County, and Municipal Employees (AFSCME) NHQ  
1625 L Street NW  
Washington, DC 20036

Case Number: 041-6025058(76)  
LM Number: 000289

Dear Mr. Saunders:

This office has recently completed an audit of State, County, and Municipal Employees (AFSCME) NHQ under the International Compliance Audit Program (I-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 General Counsel Teague Paterson, Chief of Staff Bill Luyre, Director of Accounting and Auditing Selma Golding-Forrester, and Associate Director of Auditing and Accounting Rodney Mosby on July 19, 2023, the following problems were disclosed during the I-CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope. Based on your assurance that AFSCME will remedy the areas of non-compliance with the LMRDA, OLMS will take no further action regarding the audit findings at this time.

#### Recordkeeping Violation

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 (unless electronically maintained) 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 AFSCME'S 2021 records revealed the following recordkeeping violation:

#### Receipt Dates Not Recorded

Entries in AFSCME's receipts journal reflect the date the union deposited money, but not the date money was actually received. For example, in January 2021, receipt batch number [REDACTED] contained twelve checks totaling \$97,791.79. The checks were dated between December 8, 2020, and January 8, 2021. All twelve checks were recorded with a receipt date of January 22, 2021, the same date as the date of deposit.

Union receipts records must show the date of receipt. The date of receipt is required to verify, explain, or clarify amounts required to be reported in Statement B (Receipts and Disbursements) of the LM-2. The LM-2 instructions for Statement B state that the labor organization must record receipts when it actually receives money and disbursements when it actually pays out money. Failure to record the date money was received could result in the union reporting some receipts for a different fiscal year than the year the union actually received them.

Based on your assurance that AFSCME will retain adequate documentation in the future to comply with the requirements outlined above, OLMS will take no further enforcement action at this time regarding these issues.

#### Reporting Violations

Section 201(b) of LMRDA requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-2) filed AFSCME for the fiscal year ended August 31, 2021, was deficient in the following areas:

##### 1. Acquire/Dispose of Property

Item 15 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) was correctly answered, "Yes," because the union gave away "affinity and other items" and traded in a vehicle during the audit year. However, AFSCME failed to identify the value of the items given away or the value of the automobile trade-in in Item 69 (Additional Information). The union must identify the type and value of any property received or given away in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. 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." For assets that were traded in, the union must enter in Item 69 the cost, book value, and trade-in allowance.

2. Contingent Liabilities

Item 17 (Did the labor organization have any contingent liabilities at the end of the reporting period?) was correctly answered yes, because the union is a party to a pending lawsuit in which the organization may be required to make some payment. However, AFSCME failed to full identify the administrative or judicial action in Item 69. For each contingent liability, the union must identify each administrative or judicial action, including the case number, court, and caption.

3. Withholding Taxes and Other Payroll Deductions

The amount reported in Item 67a (Withholding Taxes and Other Payroll Deductions – Total Withheld) does not equal the sum of the deductions reported in “Less Deductions” in Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees). These figures should agree.

4. Disbursements to Employees

AFSCME did not correctly report some payments to employees totaling at least \$830,000 in Schedule 12 (Disbursements to Employees). During the audit year, Assistant to Regional Director James Cullen, Associate General Counsel Margaret McCann, Associate Director Michael Messina, and Benefits Direct Lonita Waybright retired and received severance payments. These severance payments were erroneously reported in Column F (Disbursements for Official Business) of Schedule 12. These severance payments must be reported in Colum D (Salary).

The union must report in Column D of Schedules 11 (All Officers and Disbursements to All Officers) and 12 salary, lost wages, severance, and/or accrued vacation. The union must report in Column F of Schedules 11 and 12 direct disbursements to officers and employees for reimbursement of expenses they incurred while conducting union business. In addition, the union must report in Column F of Schedules 11 and 12 indirect disbursements made to another party (such as a credit card company) for business expenses union personnel incur. However, the union must report in Schedules 15 through 19 indirect disbursements for business expenses union personnel incur for transportation by public carrier (such as an airline) and for temporary lodging expenses while traveling on union business. The union must report in Column G (Other Disbursements) of Schedules 11 and 12 any direct or indirect disbursements to union personnel for expenses not necessary for conducting union business.

I am not requiring that AFSCME file an amended LM report for 2021 to correct the deficient items, but AFSCME has agreed to properly report the deficient items on future reports.

### Other Violation

Section 301(a) of the LMRDA requires every parent labor organization that has or assumes a trusteeship over any subordinate labor organization to file reports with the Secretary of Labor disclosing the financial condition and operations of the trustee union and other information. Initial trusteeship reports (Form LM-15) are required to be filed by a labor organization which has imposed a trusteeship, and a semiannual trusteeship report (Form LM-15) covering each 6-month period of the trusteeship. The audit revealed the following reporting violation:

#### Failure to File Trusteeship Reports LM-15 (semiannual) by Due Date

The president and treasurer, or corresponding principal officers, of the parent labor organization imposing the trusteeship and the trustees of the subordinate labor organization are required to file semiannual trusteeship reports disclosing the financial condition and operations of the trustee union and other information each succeeding 6-month period of the trusteeship. The audit revealed, AFSCME failed to file semiannual trusteeship reports with OLMS by the due date for Local 2254, District Council 1707, and Council 962. Section 301(a) requires the semiannual trusteeship reports to be filed within 30 days of the conclusion of each 6-month period.

Following the exit interview, AFSCME filed the delinquent reports for District Council 1707 and Council 962. AFSCME has agreed to file the delinquent reports for Local 2254 by August 7, 2023, and timely file all future reports with OLMS.

### Affiliate Violation

Section 201(a) of the LMRDA requires every covered labor organization to adopt a constitution and bylaws and file a copy with the Secretary of Labor. A report providing organizational information including statements about its operating procedures, names and titles of officers, initiation fees, dues, and references to various constitutional provisions must be filed along with the constitution and bylaws. Section 201(b) requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The audit found significant areas of non-compliance with the LMRDA by AFSCME affiliates identified in the paragraph below. While LMRDA compliance is the affiliates' responsibility, OLMS identified significant issues and recommends AFSCME provide guidance to these subordinate unions:

#### Affiliates Failure to File

The audit revealed Locals 814, 1281, 3248, and 4493 failed to file their Labor Organization Information Report (Form LM-1) and annual financial reports with OLMS. Section 201(a) requires that Form LM-1 be filed 90 days after the date on which a labor organization becomes subject to the LMRDA. Section 201(b) requires annual financial forms must be filed within 90 days after the end of the labor organization's fiscal year.

AFSCME contacted field staff and the respective district councils to alert them of the need to file LM reports. AFSCME will assist its affiliates in filing the necessary, timely, and accurate reports with OLMS.

I want to extend my personal appreciation to AFSCME 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,

[REDACTED]

[REDACTED] Lead Investigator  
International Compliance Audit Program

cc: [REDACTED]