



November 7, 2013

Mr. Rick Ruthart, President  
State, County, and Municipal Employees  
AFSCME Local 817  
662 Palmyra Road  
Dixon, IL 31021

Case Number: 310-3123568 [REDACTED]  
LM Number: 542998

Dear Mr. Ruthart:

This office has recently completed an audit of State, County, and Municipal Employees (AFSCME) Local 817 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 and Treasurer Dana Thompson on November 6, 2013, 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 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 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 817's 2012 records revealed the following recordkeeping violation:

#### Lost Wages Reimbursements & Payments for Personal Time for Conducting Union Business

Local 817 did not retain adequate documentation for lost wage reimbursements and payments for personal time worked for conducting union business to you and the four other officers and

employees of the union, totaling at least \$10,000. Local 817 reimburses officers and employees for lost wages and also compensates them for personal time worked for conducting union business. Records must be maintained in support of lost wage claims and personal time payments that identify each date lost wages were incurred or personal time wages were earned, the number of hours lost or worked on each date, the applicable rate of pay, and a description of the union business conducted. The audit found that Local 817 maintained vouchers prepared by Treasurer Thompson that contained the business purpose, total hours claimed, and rate of pay, but did not always identify the date of the claim and/or how many hours were being claimed on each day. During the exit interview, I provided the compliance tip, *Union Lost Time Payments*, which identifies the type of information and documentation that the local must maintain for lost wages.

Based on your assurance that Local 817 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violation.

### 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 817 for the fiscal year ended December 31, 2012, was deficient in the following areas:

1. Acquire/Dispose of Property

Item 13 (During the reporting period did your organization acquire or dispose of any assets in any manner other than by purchase or sale?) should have been answered, "Yes," because Local 817 gave away t-shirts, pocket calendars, pens, and watches totaling more than \$4,000 during the year. The type and value of any property received or given away must be identified in the additional information section of the LM report along with the identity of the recipient(s) or donor(s) of such property. For reporting purposes, each recipient need not be itemized. Recipients can be described by broad categories, if appropriate, such as "members" or "new retirees."

2. Disbursements to Officers

Local 817 did not include some reimbursements to officers totaling at least \$8,500 in the amounts reported Item 24 (All Officers and Disbursements to Officers). For example, Local 817's general ledger, vouchers, and expense reports show that you received payments for expenses totaling \$6,192. However, the total amount reported in Column E (Allowances and Other Disbursements) of Item 24 totals only \$1,585. As another example, Second Vice President Kristen Wadsworth received payments for expenses totaling \$4,968. However, only \$1,579 was reported in Column E of Item 24. It appears these payments were erroneously reported in Item 48 (Office and Administrative Expense) or Item 54 (Other Disbursements).

Most direct disbursements to Local 817 officers and some indirect disbursements made on behalf of its officers must be reported 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).

Local 817 must file an amended Form LM-3 for the fiscal year ended December 31, 2012, to correct the deficient items discussed above. I provided you with a blank form and instructions, and advised you that the reporting forms and instructions. The amended report may also be filed electronically using the OLMS Electronic Forms System (EFS) which can be found on the OLMS website ([www.dol.gov/olms](http://www.dol.gov/olms)). EFS is a web-based system for completing, signing and submitting your LM reports. The amended Form LM-3 should be submitted to this office at the above address or filed electronically as soon as possible, but not later than December 4, 2013. Before filing any report, please review the report thoroughly to be sure it is complete and accurate. In addition, any paper reports must be signed properly with original signatures.

#### Other Issues

##### 1. Policy for Payments for Personal Time for Conducting Union Business

Local 817's "policy and procedures" for lost wage reimbursement states "Union will pay actual wage for union business lost wages." This was approved at the November 6, 1996 membership meeting. You advised at the opening interview that in addition to wages to officers and employees for any wages lost while conducting union business, Local 817 also compensates officers and employees for personal time working for the union. You advised that officers and employees may be compensated for working for the union when they are not scheduled to work (off day, before/after shift) or on employer paid leave (vacation, holiday, other leave). You advised that this is an unwritten policy that the local has been operating under for many years. OLMS recommends that your union adopt written guidelines for the disbursements for personal time and lost wages as such policies can help ensure effective control over union finances.

##### 2. Lost Wage Rate Calculation

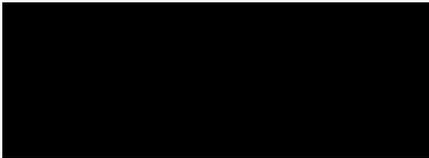
During the audit, you advised that officers are reimbursed for lost wages at the straight time rate earned at their employer. The audit revealed that you and Second Vice President Kristen Wadsworth were being reimbursed for lost wages at a rate of \$30.61. Records from the Illinois Department of Corrections (DOC) show that your hourly rate is \$30.13 and Mr. Wadsworth's hourly rate is \$28.98. You advised that this was due to a miscalculation, which has now been remedied. The miscalculation of the wage rate resulted in you receiving at least \$321.84 in additional wages and Mr. Wadsworth receiving at least \$317.21 in additional wages.

In addition, you advised that in 2012 and 2013, the union was operating without a contract and no one received a wage increase. The DOC is reimbursing members back wages for those months when the members should have received a higher wage rate. The officers are not seeking back pay from the union for lost wages. Since the back pay owed to the officers would be greater than the amount you and Mr. Wadsworth owe the union, the executive board agreed that the officers do not have to make any repayment to the union for the error.

OLMS recommends that Local 817 review its lost time and payroll procedures to improve internal control of union funds. In addition, 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.

I want to extend my personal appreciation to AFSCME Local 817 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,

A large black rectangular redaction box covering the signature of the investigator.

Investigator

cc: Ms. Dana Thompson, Secretary Treasurer